Governor's Council on Management

Final Report

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GOVERNOR'S COUNCIL ON MANAGEMENT, INC.
P.O. BOX 233, CAPITOL STATION
HELENA, MONTANA 59620

October 1982

The Honorable Ted Schwinden
Governor, State of Montana
State Capitol
Helena, Montana 59601

Dear Governor Schwinden:

On behalf of the Governor's Council on Management, it is a pleasure to submit to you and the people of Montana this final report summarizing our findings and recommendations. The comprehensive and intensive review of the Executive Branch by 34 volunteer, private sector management specialists produced 344 specific proposals for improving the management of state government operations.

Council members found this experience challenging and rewarding. The cooperation and enthusiasm of the many dedicated state employees was very gratifying. Department administrators and staff participated actively in the evaluation process and contributed numerous helpful suggestions. This relationship also provided the private sector representatives with a realistic insight into the problems faced daily by public administrators.

The Montana business community should be commended for its enthusiastic sponsorship of this undertaking. As a result, the Council completed the entire program at no cost to the taxpayers. This commitment indicates a willingness to cooperate in efforts that can be beneficial to our state.

By requesting this review, you have taken another step forward in your efforts to achieve more cost-effective management of state government. The content of this report is impressive; however, the ultimate success of this effort will be measured by the results realized through implementation. The members of the Governor's Council on Management will be available to assist you in achieving this goal.

Very sincerely,

James B. Spring

James B. Spring
Chairman

Governor's Council on Management

Chairman	James B. Spring	
Vice Chairman-Personnel	Al Donohue	
Vice Chairman-Finance	Warren P. Schmechel	
Secretary	Edward A. Nurse	
Treasurer	Edwin H. Jasmin	
Operating Committee	James B. Spring John W. Greene Kenneth E. Hickel William M. Murray Stephen Winter	
Team Members	Luckie Bethel Jim Bordelon Lee Conwell Vernon E. Daniels William W. "Wes" Eyer A. W. Fitzpatrick Cheryl Gillespie Robert E. Griffin Victor D. Harwood Jim Haworth Gene Hess Ivan Howard Polly Junkermier Earl D. Lovick Lewis A. McArthur	Jerry Miller John H. Morrison, Sr. Stephen R. Murphy William G. Peters William G. Preston Peter Rice Sharyn L. Robinson Dennis Schanz Steve Schmidt Bruce T. Simon Doyle Snyder Ray Spannring Norm Stedje Richard L. Thomas Harold Ude
Program Consultants	Warren King and Associates, Inc., a Subsidiary of A. S. Hansen, Inc.	
General Counsel	John J. Oitzinger	
Auditor	Anderson ZurMuehlen & Co., CPA's	
Office Manager	Jo Schmitz	
Support Staff	Kerry Johnson Janet Oitzinger	

Overview

Montana has consistently enjoyed an enviable economic position despite periodic variations in the economic cycle. A stable revenue base coupled with responsive management actions has averted serious problems. However, state expenditures have grown as a result of the continuing demand for expanded services and rising inflationary pressures. Appropriations for all agencies reporting directly to the Governor increased 38% in the past five years, reaching $944-million in fiscal 1982. During the same period state government employment decreased by 11% for these agencies.

On assuming office in 1981, Governor Ted Schwinden realized forceful actions were needed to maintain the past stability of Montana's state government and offset the impact of anticipated economic trends. Therefore, he initiated a series of concerted efforts to internally improve the organization structure and management effectiveness of the Executive Branch. These included consolidating three agencies into a new Department of Commerce and reorganizing other operating groups so desired service levels could be maintained with reduced staffing. In addition, aggressive efforts were introduced to diversify the state's economic base, thus reducing its heavy dependence on agriculture, forest products and energy resources. Expanding existing businesses and attracting new industries were emphasized to create the added jobs needed to ensure continued self-sufficiency.

As the general economy continued to deteriorate and cuts in federal funding became a reality, the administration was faced with new challenges. However, these factors also presented a unique opportunity to reshape many existing policies, programs and priorities to better meet the needs of Montana citizens. The impact of federal cutbacks dramatically increased the state's responsibility for programs traditionally supported by funds from Washington. This also transferred greater decision-making powers to the Governor and the Legislature for determining the scope and magnitude of important programs. Therefore, Montana's state government had significant reasons to encourage cost effectiveness if it hoped to assume broader program responsibilities with the same resources.

As a next step in meeting these new challenges, Governor Schwinden asked the private sector to help in identifying additional improvement opportunities in state government. Based on initial, enthusiastic expressions of support, the Governor's Council on Management, a results-oriented, private sector sponsored task force was created by executive order. This order directed the Council to recommend methods and procedures for providing state government services in a more cost effective and efficient manner while maintaining the quality of delivery systems. To fulfill this charge, the Council's objectives included:

- ☐ Identifying immediate opportunities for increasing efficiency and reducing costs.

- □ Evaluating the impact of earlier organizational and operational changes to determine if managerial accountability and administrative control could be enhanced.

- □ Suggesting managerial, operational and organizational improvements for longer term consideration by the chief executive and the Legislature.

- □ Pinpointing specific areas where further in-depth reviews appeared justified by potential short- and long-term savings.

In defining the scope of the Council's activities, primary attention was focused on areas where maximum benefits could be realized from the efforts expended. Based on this guideline, departments comprising the Executive Branch and reporting directly or indirectly to the Governor were designated for major attention. As part of this activity, certain boards, commissions and advisory groups were also included to determine their impact on state services and costs. However, organizations administered by other elected officials, the Legislature and the Judicial Branch were excluded as were policies relating to mandated federal and state programs.

Council Organization

In December 1981, Governor Schwinden called upon James B. Spring, President, Christian, Spring, Sielbach & Associates, to chair the Governor's Council on Management. In addition, Al Donohue, President, KMON Radio and the Heritage Inn, was named Vice-Chairman for Personnel, and Warren P. Schmechel, President, The Montana Power Company, was appointed Vice-Chairman for Finance. These business leaders recruited the management specialists required to complete the Council's mission and obtained the funding for its support. Other Council directors included Edwin H. Jasmin, President, Northwestern Bank of Helena and Edward A. Nurse, President, Foundation Materials Consultants, Inc., who served as Council treasurer and secretary, respectively.

Over 190 organizations with operations in Montana responded by contributing the services of 34 management specialists as well as the required financial support. With the Governor's concurrence, the Council retained Warren King and Associates, the public sector management consulting subsidiary of A. S. Hansen, Inc., to advise and coordinate the Council's work. Based on their earlier experiences in guiding similar projects in 30 other states, the Governor had previously authorized this consulting group to develop a detailed plan of action for the organization and operation of this program.

Following an intensive planning effort, the actual review of state government began in April 1982 and extended through June. To conduct the necessary evaluations, identify improvement opportunities and develop recommendations, the task force was divided into four teams, each headed by a senior business executive. General government operations were assigned to Stephen Winter, Manager of Tariff Administration, The Montana Power Company. The human resources team was headed by Kenneth E. Hickel, Co-owner, Manager, Best Western Ponderosa Inns.

Reviews of natural resource activities were directed by William M. Murray, Associate Administrator, St. Vincent Hospital, while responsibility for the physical and economic resources team was assigned to John W. Greene, President, Butte, Anaconda & Pacific Railway. A. W. Fitzpatrick, Vice President Operations, Great Falls Gas Company, initially directed the physical and economic resources team during its review of the Department of Commerce but was subsequently recalled to his company.

Findings and Results

During an intensive 12-week review, private sector management specialists evaluated the internal organization structure and operations of major departments to determine where better management and administrative practices could improve cost effectiveness. As the teams completed their basic research, findings in the form of evaluations and recommendations were drafted for consideration by the Council's Operating Committee. This group included the Chairman, four team leaders, and the program consultants. Where issues involved a potential conflict of interest, Council members abstained from participating in the decision-making process.

Throughout the evalution period, a productive working relationship was established and maintained with department administrators and state government personnel at all levels. Their involvement was encouraged and considered essential to the success of this partnership effort. In addition to providing vital information and insights into the operation of Montana state government, many participated actively by identifying improvement opportunities. During the final stages of the review, team leaders briefed agency heads on the content of the recommendations dealing with their operations. This was done to encourage further input and expedite implementation.

The Council's recommendations are summarized in this report. Contents are arranged to simplify review and facilitate implementation. The first four sections document the findings and recommendations developed by each team. They provide a brief description of the assigned department's organization and operations plus specific recommendations for improvement, including discussions of each problem, the proposed solution and any benefits or costs involved. These sections are followed by a Digest of Recommendations, which provides a listing of the individual proposals. This includes the recommendation statement, action required for implementation, and associated financial impact. The concluding section lists the sponsors who contributed personnel, funds or in-kind services.

Potential Benefits

The Council developed 344 recommendations for improving the management and administration of state government operations in Montana. Of these, approximately 74% can be implemented by executive action. The balance will require new or revised legislation. Where possible, the Council has identified a specific financial impact for each recommendation on a cash basis. The Analysis of Potential Benefits, shown on the next page, summarizes the anticipated, composite financial results. However, generation of savings or income was not the sole objective of this project. Improvements in management effectiveness and service delivery were considered of equal importance.

In this overall analysis, benefits have been classified as either annual or one-time in the following categories. Savings are based on proposed reductions in operating funds currently expended or appropriated. Income is the inflow of new or increased funds realized from improved investment return, increased service fees, or the sale of assets. Costs represent the cash outflow required to implement particular recommendations but they are frequently offset by savings.

Proposals affecting fees were restricted to areas where a specific user group — rather than the general public — is the recipient of a government service. In such cases, recommended changes were primarily limited to

ANALYSIS OF POTENTIAL BENEFITS

Annual	State	Federal	Total
Savings	$41,464,000	$6,735,000	$48,199,000
Income	29,911,000	138,000	30,049,000
Costs	(6,350,000)	(311,000)	(6,661,000)
Net Annual	$65,025,000	$6,562,000	$71,587,000
One-Time			
Savings	$ 9,013,000	$ -0-	$ 9,013,000
Income	24,754,000	-0-	24,754,000
Costs	(6,661,000)	(15,000)	(6,676,000)
Net One-Time	$27,106,000	$ (15,000)	$27,091,000

the amount needed to recover the actual cost of providing the service. Since most direct benefits to Montana taxpayers will result from recommendations involving state funds, the Council attempted to separate these potential estimates from those accruing to the federal government. Because of the complexity of some recommendations, it may take five years or longer to realize the full benefit. As a result, not all dollar savings will be immediately available.

Benefit estimates were based on fiscal 1982 appropriations. Authorized position references are for the same period and are rounded to the nearest whole number although the state monitors full-time equivalents to the nearest hundredth of an employee. When personnel changes have been proposed, savings or costs have been computed from the midpoint of the appropriate salary range, then 23.33% added for fringe benefits except for five institutions which have a 25.66% factor. In calculating interest realized from the investment of idle cash or new income, a 12% annual rate was used. However, interest income was not claimed as a benefit unless the recommendation clearly suggested the investment of available funds. However, a significant amount of unclaimed interest income could be realized if savings from other recommendations were invested instead of spent.

Throughout this report, benefits are stated conservatively and costs realistically. Therefore, actual results may exceed estimates. When it was impossible to accurately project the financial impact of recommendations, estimates were made to indicate an order of magnitude. Over $260-million has been cited in the text as a reasonable projection for the additional potential of unclaimed benefits.

Overall Observations

The 1972 Constitutional Convention can be credited with formulating a basically sound design for the overall organization of Montana's Executive Branch. However, these efforts were concerned primarily with consolidating agencies providing similar services. In the process, details for integrating the internal operations of the new organizational elements were not a major concern. Subsequently, some intradepartment restructuring has occurred. However, further actions are needed to accomplish operational refinements and eliminate organizational fragmentation.

In identifying opportunities for increased departmental efficiency, organizational weaknesses were a major concern. Specific recommendations in the Council's report address this subject. While most are directed at internal department operations, several proposals transcend these boundaries to respond to complex interagency managerial and service requirements. When implemented, the resulting impact should expand the capabilities of administrators in meeting both short- and long-term service demands. In addition, the following paragraphs highlight some major findings by the Council's four teams.

General Government: Sound management is the key to efficient government operations. Line departments and support service functions suffer when management objectives are not well defined. Operational overlap, ineffective supervision and reduced control result. Therefore, important recommendations stress the need to formulate well-defined department objectives. This will encourage administrators to initiate productive short- and long-range planning. The Governor must become directly involved in this process so the importance of better statewide planning and improved interdepartmental coordination receives proper emphasis.

Although managers must have the resources to accomplish their goals, a lack of centralized control can create duplication, poor utilization and increased cost. This is evident in the management of legal services, data processing and the state's vehicle fleet. Currently, the Attorney General's office provides some legal support to agencies on a contracted basis but frequently departments hire their own specialists. As a result, some department-based attorneys are poorly directed and underutilized. Although specific examples are discussed in the body of this report, the deficiency should be alleviated by transferring responsibility for underutilized lawyers to the Attorney General's office where personnel assignments could be initiated and monitored more effectively.

The need for stronger direction is also evident in data processing and vehicle fleet functions. In both instances, control should be consolidated in the Department of Administration. In this way, consistent procedures can be developed, coordinated and enforced. In addition, modifications in the system for processing authorized warrants in the Accounting Division would reduce the risk of duplicate payments.

In contrast, inefficient manual recordkeeping systems and complex ordering requirements hamper the effective use of centralized purchasing procedures. To streamline operations and speed order processing, decentralization of routine purchasing operations should prove advantageous. However, the central purchasing group would retain responsibility for formulating policies, monitoring agency purchasing activities, coordinating large repetitive orders, and processing bids on major supplies or services exceeding $25,000.

The state's current personnel system also causes numerous problems. Long established compensation policies stress seniority rather than job proficiency while uniform standards for evaluating performance have not been developed. In addition, performance evaluations are absent in most agencies. Qualified candidates are excluded from job advancement because of failures in the system for posting position vacancy notices. In addition, training programs are not available to increase employee skills. Moreover, the traditional strength of organized labor in Montana has resulted in the recognition of some 75 state employee bargaining units. Negotiations are further complicated because many supervisory staff members maintain their union affiliation after promotion. Upgrading and extending the authority of the existing Personnel Division would be productive in correcting these deficiencies. Since the Personnel and Labor Relations Study Commission is charged with responsibility for review of overall personnel policies and practices, the Council has not attempted to evaluate the appropriateness of individual employee compensation. However, inequities do exist at all levels throughout state government and should be given high priority for corrective action.

Human Resources: Efficient delivery of services is a primary goal of the departments caring for human needs. Therefore, effective, responsive management is critical. Currently, poor utilization of facilities prevents the Department of Institutions from meeting its goals. While the state prison is overcrowded, other institutions have surplus space. Elsewhere, separate facilities and services are unnecessarily duplicated. However, many of these problems could be resolved within the department by institutional mergers, reassignment of facilities and closings. Furthermore, the funding needed to accomplish these modifications would be far smaller than the investment for construction of new facilities.

Agencies responsible for human services also need to alter their organizational structures and scope of responsibilities to eliminate overlapping functions and reduce excessive staffing. Activities in the Department of Institutions relating to alcohol and drug abuse as well as mental health and residential services should be merged with the Department of Health and Environmental Sciences. These consolidations plus the elimination of duplicate support units would enable the Department of Health and Environmental Sciences to make sizable staff reductions. This would help reverse the pattern of uncontrolled growth established in earlier years and accommodate reduced federal funding.

Upgrading operational systems must also be given a high priority. Currently, the Department of Social and Rehabilitation Services is threatened with the loss of several million dollars in federal support due to extremely high error rates in determining welfare eligibility. This is a direct result of inadequate controls, poorly trained staff and insufficient understanding of the legal complexities of federal compliance.

Natural Resources: In addition to enriching public recreational activities, Montana's natural resource agencies are important sources of revenue. However, the state is not realizing an equitable rate of return on its investment or sufficient income to cover operating expenditures. Licensing and permit procedures are inconsistent and inadequate. Therefore, revised fee schedules should be authorized for virtually every department. In the Department of State Lands, these increases — coupled with proposed improvements in oil and gas royalty auditing procedures — should generate substantial added income. Similarly, internal systems should be modernized so cumbersome manual operations are replaced.

Field operations are an important function in natural resource management. However, they are not well integrated or properly coordinated with department administrative offices in Helena. The Department of Fish, Wildlife and Parks is a prime example. Here, reorganization would clarify and strengthen central supervision, improve the effectiveness of field personnel, and reduce costs.

Physical and Economic Resources: Such diverse activities as transportation, industrial development and revenue collection affect the economic welfare of the state and its citizens. In each of these areas, overall missions are changing. The shift in highway operations is from long-term construction projects to the more routine maintenance of existing roads. However, parallel changes in staffing patterns to meet these demands have not been accomplished. Furthermore, fee and fine increases to support anticipated repair and maintenance programs are not in place.

Heavy staffing characterizes the Department of Revenue's property assessment programs while the results produced are inconsistent. When automated, a uniform assessment system could centralize more activities in Helena. Similarly, outdated liquor license quota procedures should be phased out over a 10-year period. In addition, trends of rising costs and significantly reduced profits from the operation of liquor stores raise serious questions about the value of continued state government participation in retail operations.

Implementation

Many of the Council's proposals can be implemented immediately by administrative actions. However, more complex recommendations may require several years before benefits are fully realized. To encourage continued progress and optimize impact, specific priorities for implementation actions and benchmarks to monitor agency achievements must be established. Earlier experiences of Warren King and Associates on similar state government projects indicate that 20% of the projected benefits should be achieved during fiscal 1983. This total should increase to 50% by the end of fiscal 1984 while further benefits should continue to accrue over the following two years. In this process, it may be necessary to revise some recommended approaches to accomplish intended objectives.

The principal responsibility for implementation rests with the Governor. Because proposals were reviewed in concept with the Governor and appropriate state administrators in late June, some suggested changes may already be in effect or in the early stages of implementation. To maintain this momentum, the Governor's office must emphasize the importance of this effort to all administrative levels. In addition, the Council recommends adoption of a formal program to include:

- Issuing an executive order to indicate the Governor's full support of implementation.
- Appointing a director to guide statewide implementation efforts.
- Designating responsibility for implementation in each department.
- Developing implementation procedures and timetables to expedite and monitor progress.
- Maintaining effective communications with the legislative leaders and special interest groups.
- Coordinating interagency activities.
- Publishing reports and issuing releases periodically on results achieved.

To provide support and guidance during implementation, members of the Governor's Council on Management are prepared to serve as a technical advisory resource. In addition, the Council is prepared to sponsor independent audits to verify actual accomplishments. Most importantly, Council members and sponsors plus the general public must be kept well informed on implemention progress through regular communications.

The successful partnership established between Council members and state government personnel during this project plus the enthusiastic support expressed by the Governor and department administrators during the exit briefings were encouraging. These cooperative and positive attitudes should enhance the success of the implementation process as well as provide the basis for the ongoing improvement of state government activities. This will help ensure the continuation of a highly cost-effective, public service delivery system in Montana.

Contents

Governor's Council on Management

General Government

Office of the Governor

Fiscal 1982 Budget: $5.3-million.
Positions Authorized: 60.
Positions Filled: 53.
Chief Operating Officer: Governor.
Reporting Structure: The Governor, Montana's highest elected official, is responsible for overall policy determination and the administration of major Executive Branch departments involving 9,600 state employees.

As chief executive officer, the Governor establishes policy to guide the operations of 15 Executive Branch departments while other constitutional officers administer their own agencies. The incumbent is also heavily involved in the state's financial management activities. A balanced budget, currently exceeding $3-billion, must be submitted for legislative review every two years. In addition, the Governor must approve or veto every bill passed by the Legislature. He also selects qualified individuals to fill numerous appointive government posts.

The present staff in the Office of the Governor includes 53 full-time employees. Responsibility for selected day-to-day operations is delegated to the Lieutenant Governor and key staff members.

- □ The Lieutenant Governor acts for the Governor in his absence and carries out assigned special projects primarily dealing with state-local government relationships.

- □ The Executive Assistant functions as the chief of staff. Principal responsibilities involve policy formulation and administering internal services vital to the operation of the Office of the Governor. Fourteen administrative assistants and staff members report directly to the Executive Assistant while six other functions, including the Office of Budget and Program Planning, report administratively with a functional relationship to the Governor. In addition, the Executive Assistant administers special projects in Indian jurisdiction and coal tax advocacy.

- □ Office of Budget and Program Planning (OBPP) prepares the state budget as well as provides data processing and centralized service support. Although this office is theoretically assigned to the Executive Assistant, most direction comes from an informal reporting relationship with the Governor. The staff of 20 includes eight financial analysts.

The Governor's broad and complex responsibilities create the potential for numerous management problems. In the present structure, attempts to provide interdepartmental coordination have been hampered while the Executive Assistant's span of control is too broad. Furthermore, fragmented and unstructured reporting relationships hinder effective guidance and offer little accountability for the large staff. Deficiencies in office security were also observed.

Recommendations

1. Integrate business-related services under a new Business Administrator.

The Governor relies extensively on the Executive Assistant to formulate policy for numerous diverse areas of state government as well as to supervise internal business and support services within the office. Over 20 employees report directly to this key position. Such a broad span of control diminishes effective management. In addition, office productivity suffers because physically separated clerical employees are unable to share work.

Management responsibilities should be realigned to consolidate and integrate business-related services under a new position of Business Administrator reporting directly to the Governor. Assigned personnel would include OBPP's budget analysts, the Governor's pilot, security officer, executive mansion staff and a new Central Services unit. The latter would manage the data processing and central service functions now operating in OBPP plus a newly organized secretarial pool. An operations analysis unit, detailed elsewhere, would also report to the proposed Business Administrator.

The Executive Assistant, retitled Executive Administrator, would retain responsibility for formulating policy and would continue to supervise all administrative assistants, the press secretary, federal-state coordinator, and legal counsel as well as the Coal Tax Advocacy and Indian Jurisdiction Projects. The citizen's advocate should report to one of the administrative assistants.

Implementation will consolidate similar functions and distribute the work load equitably between two major administrative positions. Since the Business Administrator will be named from the existing staff, no additional cost is anticipated. However, improved management will result, along with a reduction of six positions for an annual saving of $103,000.

2. Establish an operations analysis unit.

The Information Systems Division of the Department of Administration currently conducts studies on request. However, this function should be directed by the Governor's office to encourage more efficient and economical operations in state government. To staff this unit, two management consultants should be transferred to the proposed Central Services unit. Furthermore, OBPP budget analysts should work with this team to study statewide and interdepartmental concerns and devise appropriate solutions.

Implementation will provide the Office of the Governor with an effective mechanism for evaluating and improving operations and programs statewide. Encouraging the use of in-house analysts rather than outside consultants will also be cost effective but no saving is claimed.

3. Coordinate interdepartmental program and policy-making efforts.

The Governor is highly accessible and available to discuss policies and problems with department directors. However, direct communication is generally limited to intradepartmental concerns while a mini-cabinet structure has been developed to address activities which transcend agency boundaries. Administration of this method has not provided necessary coordination. It also hampers the promptness required to solve interdepartmental problems.

To improve statewide policy compliance and interdepartmental cooperation, the Governor should meet regularly with all major department directors to discuss and coordinate current statewide issues. For effective follow-up, one staff member could be appointed to supervise departmental compliance with executive orders and to develop a policy manual which clearly defines the authority delegated to each government administrator. Also, OBPP analysts could study programs, then recommend appropriate systems for enhancing interdepartmental coordination. Implementation will clarify responsibilities, increase accountability, and strengthen management control over statewide activities.

4. Record all contacts with the Office of the Governor.

Daily mail and phone contacts or personal visits to the Office of the Governor are seldom recorded. As a result, tracking interested parties is impossible, inquiries are lost, and responses duplicated.

Better records are needed to improve office services. A commercially available log should be employed to record appropriate data on all phone contacts and visitors. Also a simple form should be used in mail sorting to identify the date, sender and disposition of each written inquiry. Implementation will help monitor public interest on important issues while increasing staff efficiency.

5. Improve state government security.

Lack of office security poses a threat to state government employees. Visitors are allowed to move freely through the capitol building as well as into close proximity of the executive offices and the mansion without challenge. Incoming mail poses a personal injury risk as well.

To prevent potentially dangerous incidents involving the Governor and his staff, a security expert should be hired to study the Office of the Governor and recommend appropriate safety measures. A scanning device should also be installed for screening incoming mail. The estimated one-time implementation cost will be $30,000.

6. Implement the recommendations of the Legislative Auditor.

The Legislative Auditor periodically suggests management improvements for Executive Branch operations. However, department compliance is spotty and inconsistent. The Governor's office should initiate a procedure for screening these recommendations and monitoring implementation actions on high-impact proposals. This will produce a substantial saving but no benefits are claimed.

7. Improve coordination between legislative and OBPP analysts.

The Office of Budget and Project Planning submits its budget document to the Office of the Legislative Fiscal Analyst before sub-committee hearings. Some questions raised by the legislative analysts are discussed with OBPP in advance of the hearings while others are raised unexpectedly by sub-committee members. If the OBPP cannot respond in a timely and convincing manner, inappropriate legislative action may result.

With improved coordination and better planning, legislative analysts could submit most questions to OBPP in advance of hearing sessions so alternate suggestions could be developed. By minimizing the number of unexpected inquiries, a more thorough analysis of financial problems will be achieved.

8. Increase departmental participation in budget planning.

Departments submit individual budget proposals to OBPP but have very limited involvement in the subsequent process after initial requests are consolidated. To accomplish the consolidation, analysts work long hours reconciling necessary changes before legislative submission.

To expedite the workflow, each department should loan their most experienced budget analyst to OBPP during the six- to eight-week peak planning period. Providing this assistance will increase departmental input as well as alleviate existing pressures on staff members.

9. Prepare a cost/benefit analysis for all major appropriation requests.

Decisions are frequently made on major program expenditures without adequate cost/benefit justification. As a result, it is difficult to establish priorities unless costs and benefits are uniformly compared.

To strengthen expenditure authorization procedures, justifications should be prepared in more detail, then properly documented. Subsequent audits should use this analysis and related data to determine if program achievements are meeting expectations. Implementation will make the decision-making process more productive, provide a basis for critically examining expenditures, and improve management control.

10. Consider adopting the federal fiscal year.

Montana's fiscal year ends in June while the federal government's ends in September. This lack of compatibility creates bookkeeping and cash flow problems that significantly increase costs. Therefore, all agencies should be surveyed to identify potential positive and negative effects of making the state's fiscal year coincide with the federal one. Alabama and Michigan have made this change and should also be contacted for information.

If survey responses are positive, appropriate legislation should be enacted. Budgets would continue to be developed to match existing legislative session schedules. However, a one-time appropriation would be required to bridge the three-month gap between the end of the current fiscal year and the start of the new. Implementation will simplify accounting as well as produce a substantial, although unestimated, cost reduction.

11. Establish a statewide training program.

State government is Montana's largest employer. However, no ongoing training program has been established to improve the managerial and technical abilities of classified or appointed state employees. Promotions are often made arbitrarily since no criteria exist to define appropriate skill levels for supervisory assignments. Lack of central control over training programs has resulted in inadequate separate departmental efforts. Also, completed coursework is not recorded in personnel files so employee incentives are low.

A comprehensive training program should be initiated and coordinated by the Office of the Governor to correct these deficiencies. Initially, $100,000 should be allocated annually to develop and conduct a series of management seminars and technical courses to improve employee skills. A recording procedure should also be established so accomplishments can be readily identified. Improved training will enhance staff knowledge and abilities while providing additional incentives to increase productivity and improve the delivery of public service.

12. Reduce the use of private consultants.

An excessive number of consultants are hired to conduct operational studies and document recommendations. Frequently, in-house staff could accomplish the same work at less cost. Furthermore, the consultants' suggestions are seldom implemented.

To avoid unnecessary expenditures, a written justification for contracting with outside consultants should be required. This should include an explanation of why in-house capabilities cannot be used. Consulting proposals should be submitted to the Office of Budget and Program Planning for approval. In addition, progress on consulting projects should be reviewed periodically to monitor results. Implementation will reduce costs and increase accountability.

13. Manage access to personal records.

Montana law restricts access to personal data maintained on the state's central computer. Therefore, this information cannot be used to verify the accuracy of applications for assistance or other social benefits.

Limited access should be granted to the Economic Assistance and Community Services Divisions of the Department of Social and Rehabilitation Services and the Management Services Division of the Department of Institutions. This could be accomplished without divulging specific data by merely verifying that information on file is correct, incorrect or nonexistent. Applications confirmed would continue to be processed while discrepancies would be investigated.

This procedure will expedite verification of data and help examiners identify ineligible applicants. No dollar benefit is claimed, although a saving should be realized.

14. Coordinate the sharing of natural resource information.

Various departments of the state, including Natural Resources and Conservation; Fish, Wildlife and Parks; and State Lands, independently collect natural resource information for different purposes using manual and automated methods. Ideally, there should be an integrated natural resource information system. However, a sophisticated system would be extremely expensive because of its unique and distinctly different requirements. Therefore, discussions should continue to expedite the development of separate but compatible systems. In addition, each should be cataloged and data made available for department and statewide use. Coordination responsibility should be assigned to the administrative assistant in the Office of the Governor who is the natural resources liaison. Implementation will ensure rapid information retrieval while providing needed flexibility.

Department of Administration

Fiscal 1982 Budget: $33.7-million.
Positions Authorized: 509.
Positions Filled: 441.
Chief Operating Officer: Director.
Reporting Structure: A total of 16 divisions plus 10 boards and commissions are administered by the director, who reports the Governor.

The Department of Administration provides various centralized services to support other state agencies and capitol complex operations. It also administers the state's long-range building program, state employee group benefits program, and various state retirement systems plus regulates building codes. In addition, the department is accountable for office space allocation and property leases in the Helena area as well as management of emergency and disaster funds.

The director, appointed by the Governor, is responsible for overall administration of 16 divisions plus 10 attached boards and commissions. Eight of the 16 divisions — Architecture and Engineering, Building Codes, Computer Services, Accounting, Communications, General Services, Insurance and Legal, and Purchasing — are covered in subsequent sections. Computer Services also includes the Information Systems Division as well as statewide data processing activities. In addition, the proposed vehicles management organizational unit is also described separately. However, recommendations pertaining to the following divisions are included in this report:

- Treasury/Centralized Services - Acts as the custodian for money and securities held by the state. It also coordinates department personnel and accounting activities.

- Investment - Invests state funds and manages its investment portfolio under policies developed by the Board of Investments.

- Local Government Services - Prescribes, establishes and maintains accounting methods for local government entities; provides auditing services; determines compliance with appropriate statutes; and coordinates technical assistance offered to local government.

- Personnel - Implements and administers the State Classification and Pay Plan; adopts personnel policies; oversees employee training, Equal Employment Opportunity and Affirmative Action programs; coordinates the state's participation under the Federal Intergovernmental Personnel Act; conducts state labor relations activities; plus administers the merit system.

- Public Employees' Retirement - Administers the Public Employees' Retirement System, Game Wardens' Retirement System, Police Reserve Fund, Sheriffs' Retirement System, Volunteer Firemens' Compensation Act, and the Federal-State Social Security Cooperative Agreement for state and local governments, school districts, and special districts.

- Teachers' Retirement - Administers the Teachers' Retirement System for active and retired teachers.

- Publications and Graphics - Performs duplicating, printing, binding, photocopying and graphic arts services. The division also manages forms control as well as a photocopy pool in the capitol complex.

The following boards and commissions also receive administrative support from the department: State Board of Examiners, Board of Investments, Public Employees' Retirement Board, State Employee Group Benefits Advisory Council, State Records Committee, State Tax Appeals Board, Teachers' Retirement Board, Office of Workers' Compensation Judge, Montana Building Codes Advisory Council, and Tramway Safety Advisory Council.

Considering the complexity of the department, it functions well. However, the Treasury Bureau within the Treasury/Centralized Services Division does not have sufficient power to perform diverse responsibilities. Slow fund transfers and poor cash management procedures are costly. Several deficiencies in employee relations were noted, including duplicate longevity raises and inadequate job descriptions. In addition, the Investment Division's portfolio management system software is inefficient.

Recommendations

15. Merge the Public Employees' and Teachers' Retirement Divisions.

These divisions administer retirement systems which provide the same basic benefits to two groups. However, separate operations duplicate some activities. For example, both groups have spent large sums developing independent data processing systems which cannot be justified on such a basis. Also, each division owns a building which they do not fully occupy.

To correct these deficiencies, the divisions should be consolidated under an administrator chosen jointly by the Public Employees' Retirement Board and the Teachers' Retirement Board. Either group's building can accommodate a joint, streamlined division if outside renters are displaced. The resulting surplus space should be placed under management of the General Services Division.

Implementation will increase efficiency in both organizations. A saving is anticipated but not claimed for reductions in travel, communication and overhead expenses. However, the merger will enable development of a common, affordable data base at a one-time estimated saving of

$200,000. Sharing personnel will also eliminate four positions for an annual saving of $84,000.

16. Transfer forms management from the Publications and Graphics Division to the Purchasing Division.

The Publications and Graphics Division inventories, stores, and furnishes forms for state agencies. Service charges are billed to users as part of the form cost. However, this activity requires extra staffing. Thus, forms management should be transferred to the Purchasing Division, where the existing staff can absorb the additional work. Implementation of this recommendation will eliminate one position and provide an annual saving of approximately $14,000.

17. Elevate the Treasury Bureau to division status.

The treasury function was recently downgraded to bureau status in the Treasury/Centralized Services Division. This action poses several problems. The organization structure does not recognize the responsibility of the State Treasurer as custodian of all state funds. Furthermore, it reduces the needed authority to monitor the Board of Investments.

To enable the agency to serve the public as intended, the Treasurv Bureau should be awarded division status and the bureau chief elevated to the position of administrator. Remaining members of the existing division responsible for centralized services should then be assigned to the department director's staff.

When implemented, the State Treasurer can fulfill proper responsibilities and act as an auditor of investments. A monetary gain of $36,000 annually will be achieved by eliminating the existing division administrator position. However, there will be an added cost of $3,000 per year to upgrade the bureau chief.

18. Establish a lock box system.

Agencies receive and accumulate cash at their offices, prepare collection reports, then deliver both to the State Treasurer. Some deposits are forwarded to the bank intact, while others are combined for delivery via armored car. Thus, there are time delays of up to four days for funds to reach the depository.

To speed this process, a lock box system should be established at a local bank. Logically, the system should be confined to departments receiving large sums but few items. Implementation will produce additional interest income from faster bank deposits. For example, the Department of Revenue collects some $380-million annually. On the basis of 249 deposit days and a 12% annual interest rate, improving the movement of funds bv one day will provide an annual income of $183,000.

19. Expedite deposits to the central account.

Each Tuesday the Treasury Bureau determines the fund balance in 150 banks around the state and issues checks for deposit in the central account. This is a costly, time-consuming process which does not provide for timely transfer of funds.

To expedite processing and increase investment returns, agencies should deposit funds promptly. Designated banks should then call a toll-free number daily with deposit information, so checks can be issued to transfer surplus funds. When implemented, $70-million will be available for investment approximately six and one-half days earlier from state agencies while $50-million will be available two days earlier from the universities. Additional annual investment income is estimated at $267,000.

20. Abolish the imprest cash fund.

The Treasury Bureau maintains $12,000 in cash to pay outstanding warrants. However, the funds are often used to cash personal checks and payroll warrants for employees. Therefore, the money should be returned to the central depository bank for investment and safekeeping. This will result in an annual income of about $1,000. When this recommendation and the one suggesting expediting deposits into the central account are implemented, the position of assistant cashier can be eliminated. This will provide an annual saving of $17,000.

21. Replace the portfolio management system computer program.

The Investment Division's portfolio management system is old and prone to errors. Current plans are to combine it with two other investment tracking systems. This solution is too complicated and would ultimately require excessive program maintenance. A better solution would be to simply replace the existing system with a new one that is compatible with other state programs.

22. Eliminate the current ratio test for investments.

State statutes limit investments in commercial paper to corporations that have current ratios of assets to liabilities of 1.5 to 1. However, in today's economy this may not be a valid indicator of investment risk. Therefore, the code should be amended to exclude the current ratio criteria. Implementation will broaden the range of investment opportunities without increasing risk.

23. Change payroll procedures to improve efficiency.

Changes and additions to agency payrolls are currently made by submitting a status form to the State Auditor's Payroll Division. However, these are often made without proper approvals. To ensure that changes are valid, a position detail form approved by the Office of Budget and Program Planning and the Personnel Division should be submitted with the status form. No action should be taken by the Central Payroll Division in the State Auditor's office until the approved forms are received.

24. Monitor and control employee absenteeism.

Accurate data are not available to assess employee absenteeism on a statewide basis. Such information is necessary to develop an effective sick leave benefit program and control productivity. Therefore, a computer program should be developed to identify individual, departmental and system-wide problems.

Based on these data, policies regarding absence should be developed and enforced by the Personnel Division. In addition, supervisors should be trained to provide counseling and guidance to problem employees. Implementation will cut sick leave payments and increase overall productivity.

25. Establish a standard job announcement form.

The Governor has directed all departments to list vacancies with Job Service. However, many agencies do not do so if there are indications the position will be filled internally. Furthermore, each agency uses a different format for vacancy announcements.

To achieve standardization, each agency should be issued the form developed by the Personnel Division, plus control numbers to provide an audit trail. Completed forms should be forwarded to Job Service for posting. Implementation will standardize information necessary for each opening, provide an audit trail for Equal Employment Opportunity purposes, and comply with the Governor's directive.

26. Eliminate five-year longevity allowances.

Montana codes provide longevity allowances for employees based on five-year periods of uninterrupted service. They also authorize yearly raises on employees' anniversary dates. While the latter are called merit increases, there is no evaluation system. Therefore, they are actually longevity awards for another year's service. This is a costly practice unsupported by accepted management practices.

Since two longevity raises are awarded in every fifth year of employment, the five-year longevity allowance should be eliminated. Implementation will provide an annual saving of approximately $1.7-million.

27. Require management personnel to sever union affiliations.

Several management employees are members of bargaining units representing division employees. This creates a conflict of interest and makes it difficult to maintain the confidentiality required in management relationships. All managers, supervisors and employees who hold sensitive positions should be exempted in the bargaining unit's definition. Therefore, they should terminate their union membership.

28. Develop and implement an employee opinion survey.

The Personnel and Labor Relations Study Commission was established to make recommendations to the Governor and Legislature on methods for improving the personnel system. While the commission is doing a commendable job, it should seek additional input from individual employees.

To accomplish this, an employee opinion survey should be drafted. The Personnel Division should design questions around job, state government, and fellow employee satisfaction; orientation and training; working conditions; communications; grievance procedures; supervision; performance evaluation; plus wages and benefits. Yes or no responses should be required to encourage participation while color coding could be used to determine responses by departments. Implementation will encourage employee participation in the commission's activities while indicating areas of concern for future benefit planning, training and the like.

29. Centralize control over capitol complex photocopy equipment.

The Publications and Graphics Division controls about 50% of the capitol complex photocopy equipment. To increase efficiency, all copy machines should be assigned to this pool. The division would manage assignments, maintenance contracts and rental agreements. Also, it should study existing needs and evaluate requests for new or replacement units, with costs billed to user agencies. Implementation will reduce per copy costs from $0.04 to $0.03 for an annual saving of $190,000.

Architecture and Engineering Division

The division supervises planning, designing, construction, and inspection for all state buildings and structures except those related to the state highway system. The $432,000 fiscal 1982 budget supported an authorized staff of 15 with two vacancies. All contracts and subsequent changes must be cleared with the State Board of Examiners. The administrator oversees an office staff of five plus three bureaus:

- □ Facilities Planning - Determines the scope of proposed projects and develops cost estimates. Each biennium the staff of two compiles a prioritized list of statewide construction proposals for consideration by the Legislature.
- □ Design - Assumes control of approved projects. Four staff members participate in the selection of an architect, development of contract forms, and management of the bid process.
- □ Construction - Acts as the state contact for the successful contractor. Two employees approve invoices, resolve disputes, and negotiate change requests.

Division staff members are cooperative and productive. However, approval procedures cause costly delays while the funding process also increases expenditures. Contractors are not prescreened and lack of established guidelines limits effective planning.

Recommendations

30. Increase the division's authority.

The State Board of Examiners must approve architect selection and change orders for construction in progress as well as supervise the opening of bids to select a successful contractor. However, board members lack expertise in architecture and engineering and meet only once a month. Therefore, costly delays are routine and bidders increase estimates in anticipation of these factors.

Authority to perform several ongoing activities should be delegated to the division to speed construction and reduce costs. First, bid openings, selection of successful bidders, and releases to proceed should be managed by the division with in-depth board discussion of contracts occurring earlier. Second, the division administrator should have full authority to approve and justify change orders, then report these actions regularly to the department director and the board. Controversial modifications could be taken to the board at the administrator's discretion. By minimizing delays, an annual saving estimated at 5% of the $30-million construction allocation, or $150,000, will be realized.

31. Improve project preplanning.

Current department contract procedures encourage high costs. Projects cannot overrun the budget so initial estimates are always high. Also, architectural contracts have built-in reserves to redraw plans if necessary. Once available, these extra monies are inevitably used.

To reduce costs, three steps should be initiated:

- □ Hire two additional planners to strengthen the needs analysis and cost estimating functions. Planners should concentrate efforts on projects most likely to be approved.

- □ Obtain architectural services on a cost plus fixed fee basis. Actual costs for redesign work would be paid without a fee increase. Audit provisions to ensure fair billing would be required.

- □ Establish supplementary funding for project overruns equal to 10% of estimated costs. No explanation would be required for deviations of 10% above or below the cost estimate. However, variances in excess of 10% should be reviewed by the State Board of Examiners.

Increased staffing will cost approximately $55,000 annually. However, implementation will improve financial control, saving an estimated 10% of the $30-million budgeted each year for construction programs. If only half of this is realized, an annual saving of $1.5-million will result.

32. Develop planning guidelines.

Because of the dynamic nature of state government, the need for office space can change rapidly. Thus, building designs must incorporate flexibility so interior configurations can be changed quickly and inexpensively. However, the division does not consider this important factor during the planning process.

To correct this deficiency, guidelines should be developed by the division for use of the State Board of Examiners in reviewing each project. Questions concerning potential changes in occupant needs, economies of size, flexibility, use of appropriate building materials, or adaptability to special public use features should be included. Implementation will ensure a more thorough planning analysis.

33. Improve the architect selection process.

Currently, the architect selection process is highly subjective. The division reviews responses to an advertisement, then finalists are screened and evaluated by the department director, division administrator and sponsoring agency. The firm selected provides a cost estimate and negotiates the final contract. Thus, firms under consideration are not required to present specific proposals or cost estimates until acceptance is almost assured.

To increase objectivity, a selection procedure should be developed to provide needed information for rating each firm's capabilities. Finalists would be required to submit a sealed preliminary proposal including cost estimates. The final selection would be made after these data are objectively evaluated using a weighted scale on multiple factors. Implementation will encourage cost reduction and improve the selection process.

34. Establish a contractor screening process.

By definition, any "responsible" construction firm can provide a performance and payment bond to bid for work. The term "responsible" is too vague to exclude anyone from the process, so bids are sometimes awarded to unqualified companies. This results in poor workmanship, delays and contract overruns.

To diminish these risks, the division should develop and implement a system to prequalify bidders on the basis of financial ratings as well as previous performance reviews. Once a screening system is established, state agencies should cooperate by reporting poor contractor performance to the Architecture and Engineering Division. Implementation of this proposal will improve the quality of state-contracted work as well as help reduce construction costs.

Building Codes Division

This division adopts and enforces the State Building Code plus other building design and construction standards. With a staff of 25 and seven vacancies, its fiscal 1982 budget was slightly over $1-million. Headed by an administrator, the Building Codes Division consists of an administrative office and three bureaus:

- □ Building Standards - Issues building permits and checks construction projects to assure compliance with approved plans. It also inspects new mobile homes and recreational vehicles which are constructed or sold in the state. By agreement with the State Fire Marshal, this bureau certifies that plans comply with state fire codes. Currently, it has a staff of five.

- □ Electrical Safety - Consults with Building Standards personnel during plan reviews on electrical compliance questions, performs field inspections for code compliance, and assists local governments with enforcement programs. It has 14 employees.

- □ Mechanical Safety - Enforces mechanical, plumbing and elevator codes where no local agency operates. Elevators are inspected on installation and annually thereafter. It has a staff of four.

The size of this division is inadequate to perform all required tasks. Also, the division is not structured to deal with the small property owner. Enforcement activities do not receive sufficient support from other state agencies while field inspections overlap those of several other departments. Local enforcement programs are not uniform.

Recommendations

35. Consolidate state inspection activities.

Currently, travel time and costs are excessive because different state agencies make uncoordinated inspections of the same site. For example, boiler and crane inspections are accomplished by the Department of Labor and Industry's Workers' Compensation Division; electrical and plumbing license reviews are conducted by the State Electrical Board and Board of Plumbers; and tram inspections are made by the Architecture and Engineering Division.

To reduce travel time and costs, these activities should be consolidated in the Building Codes Division. Consideration should also be given to adding mine and safety inspections now under the Workers' Compensation Division and other craft reviews such as water well drillers. Since a portion of the work load is not schedule sensitive, it could be done on a fill-in basis to reduce necessary manpower. Cross training of personnel would be required to maximize benefits. Implementation will eliminate five inspector positions for an annual saving of $115,000.

36. Expand local government code enforcement responsibilities.

Many local governments have adopted some state building codes and enforcement policies. Others have not. Since the state is responsible for all areas not covered by local law, this means its involvement varies considerably.

To ensure uniform compliance statewide, local governments should be encouraged to conduct complete building code programs. These should include all aspects except elevator inspections. The division would provide training assistance and help where special conditions exist. Thought should also be given to expanding programs to county-wide participation as well. Implementation will achieve more complete code compliance while providing a long-term saving for the division. However, no benefits are claimed.

37. Assign additional legal staff to code enforcement.

The state is not providing adequate legal support to prosecute building code violators. This has resulted in a reduction in enforcement efforts by building inspectors. Furthermore, the current practice of excluding single through four-family construction from code review creates the potential to produce sub-standard housing.

To solve these problems, an additional lawyer in the Insurance and Legal Division should assist in prosecuting persons or firms who have failed to comply with the code. In addition, the regulations that limit code coverage to residential buildings of five units or more should be removed. Stricter enforcement will necessitate staff increases of one plumbing and two building inspectors. Furthermore, architectural and engineering firms should be required to ensure that building codes have been followed as projects are developed.

When implemented, building safety will improve and the state's exposure to lawsuits for failure to enforce the codes will diminish. While costs would increase due to additional staff, more revenue will be generated by expanding building code enforcement.

38. Give greater assistance to owner-builders.

Many permit applications for small projects are from owner-builders. As a result, plans are not professionally prepared and technical problems are not understood. Therefore, a series of sketches demonstrating solutions to common problems should be prepared and attached to the applicant's return letter. Design should be coordinated with local agencies and sketches made available to them. Implementation will reduce correspondence with applicants and can be accomplished with minimal cost.

Computer Services Division

The Computer Services Division provides centralized data processing, records management, and microfilm services to other state government agencies. With a fiscal 1982 budget of $4.6-million, its staff of 86 is headed by an administrator. The division has four bureaus:

- □ Technical Services - Operates systems as well as purchased and leased software. In addition, the bureau supports the teleprocessing network.

- □ Data Base Administration - Supports data base system development as well as related program packages.

- □ Operations - Consists of three sections. The User Service Section provides text processing services and advice to state agencies. The Production Services Section controls computer input and output plus data entry while the Computer Operations Section is on a 24 hour per day, seven day per week schedule except for four hours on Sundays.

- □ Records Management - Provides storage facilities and microfilm services.

In addition to this division's capabilities, two other agencies provide statewide data processing services or policy direction. The Information Systems Division in the Department of Administration develops and maintains cost effective computer programs to support state requirements and provide management consulting services. Also, one specialist in the Office of Budget and Program Planning performs budget and acquisition reviews plus offers limited policy direction.

A new computer has significant additional capacity, with present utilization about 50%. Text processing and computer output to microfiche capabilities are underutilized while added applications have not been evaluated. In addition, certain management activities are unnecessary.

A majority of departments have equipment, personnel and supplies which allow them to develop systems, perform data entry, and communicate with the Computer Services Division. At least $3.3-million is spent annually to support over 140 data processing employees in these agencies. However, the state is not receiving an adequate return from the expenditures because no one has overall responsibility for directing data processing activities or developing a statewide plan. As a result, related systems are installed independently, data are not shared, and objectives are lacking. Word processing applications have also been created without sufficient coordination or training.

Recommendations

39. Transfer statewide control of data processing to the Department of Administration.

The Office of Budget and Program Planning currently has responsibility for controlling statewide data processing development. However, these activities are limited primarily to budget and acquisition reviews since only one staff member is assigned these tasks. Few standards or policies to coordinate information management or system design have been developed. In addition, activities in several existing divisions require coordinated guidance.

To strengthen overall control, the Department of Administration should assume responsibility for all data processing policy development. An Assistant Director, Information Services, should be established to head five data processing related divisions and provide interagency coordination.

Two divisions would realign some of their current duties plus take on added responsibilities. The first — a new Computer and Network Operating Division — would absorb the existing Operations Bureau from the Computer Services Division. The Information Systems Division, retitled System Development and Technical Services Division, would assume responsibility for the data base and technical service activities of the Computer Services Division. In addition, the Communications Division would be assigned to the new assistant director because it provides support for data processing activities as a major function.

By combining the existing Publications and Graphics Division with records management duties now performed by the Computer Services Division, a proposed fourth division — Publications, Graphics and Records Management — would be established. It could then conduct word processing studies and set state policies related to this function. Last, a proposed Planning and Training Division should coordinate and prepare data processing guidelines for all state agencies.

When the five divisions are organized and properly staffed, the new Assistant Director, Information Services, will have the authority and resources to supervise the following activities statewide:

- Develop and update a statewide data processing master plan.
- Determine criteria for data base development.
- Control management information system design.
- Plan and maintain data communications networks.
- Develop training programs for systems professionals and users.
- Prepare recommendations for the proposed Data Processing Steering Committee.

Implementation could result in a 10% improvement in user services through better utilization of personnel and equipment. This will result in an annual saving of about $750,000. Also, two positions will be abolished for an additional saving of $87,000. However, three new positions will be added at a cost of $132,000 each year.

40. Establish a Data Processing Steering Committee.

When central control over data processing activities is established, other agencies must have an opportunity to provide input into policies that directly affect them. Therefore, a Data Processing Steering Committee should be established to provide advice and assistance on statewide informational problems. This committee should be given approval authority over all agency information service requests. Furthermore, they should have approval authority on all statewide instructions regarding information services. The group should have permanent membership from major users plus rotating representation from other interested agencies. Implementation will improve the effectiveness of information services while reducing operating costs.

41. Restructure the Computer Services Division.

Several positions in the Computer Services Division have limited work loads and could be eliminated. For example, hardware changes are almost non-existent so there is no need for a security and facilities manager position. These duties can be performed by the Operations Bureau. In addition, the three sections in the Operations Bureau could be consolidated into two, eliminating the Production Services Section leader position. However, assigning broader duties justifies upgrading the supervisors' positions of the Operations Bureau and the Computer Operations Section. Implementation will provide an annual saving of $58,000 while upgrading two positions will cost $6,000 per year.

42. Improve training in data processing skills.

Rapid advancement in electronic data processing technology requires continuing education to ensure efficient design, programming and operation. However, a lack of appropriated funds has restricted training for Montana's data processing personnel.

To overcome this problem, a full-time representative from the Department of Administration should be assigned to coordinate training activities. Duties would encompass identifying needs and scheduling course attendance. In addition, $250,000 should be appropriated for annual staff training. Since approximately $150,000 is already spent on agency training, the additional annual cost will be $100,000 plus $30,000 for the coordinator. By increasing the technical competence of personnel, the state will be able to take advantage of technological advances to increase productivity and reduce future expenditures.

43. Investigate all vendors when acquiring or replacing data processing equipment.

Data processing equipment valued in excess of $3-million has been acquired by the division from a single source although compatible equipment is available elsewhere. Since many companies sell hardware which can be used in an identical manner without alteration, requests for quotes should be prepared to encourage bids from all possible vendors. If the division's tape and disk drives had been acquired from other vendors, a one-time cost saving of approximately $337,000 could have been realized, although no claim is made for this amount.

44. Conduct a cost/benefit study of the word processing text management system.

The division's text management system is not fully utilized. Therefore, an in-house study should be conducted to determine if additional potential users exist. If not, the system should be removed.

45. Increase use of computer output to microfiche capabilities.

A machine to produce microfiche from computer magnetic tape output was installed in 1981. However, it is not used enough to make its operation economical. One solution would be to obtain more work for the equipment by identifying potential applications, developing benefit projections, and presenting cost reduction proposals to user departments. Doubling the output of microfiche in lieu of paper processing will result in an annual saving of $160,000.

46. Require the Research and Statistical Services plus Consulting Services Bureaus to be self-supporting.

These two bureaus in the Information Systems Division do not have enough year-round work for current staffing levels. As a result, they initiate various statewide studies during non-peak times. Many of these studies are never used, so the procedure is inefficient and costly.

These bureaus should sell their services to other agencies to obtain operating funds. To accomplish this, $60,000 should be appropriated one-time to establish a revolving fund for this operation. Then, the existing budget will be eliminated. If the bureaus cannot become self-supporting, they should reduce staff. Implementation will end unwarranted research while saving $325,000 annually.

47. Centralize data processing capabilities within one bureau in each department.

In some departments, data processing personnel are assigned to a number of organizational elements while control of hardware is also decentralized. This fragmentation reduces management control, discourages new systems development, creates serious problems when personnel changes occur, and reduces equipment utilization.

To solve these problems, all data processing personnel and equipment should be the responsibility of each department's central services bureau. Personnel will be more fully utilized in meeting agency priorities while hardware will be better controlled. Action will provide a uniform contact point for interaction with the Department of Administration.

48. Eliminate intradepartmental billing for data processing services.

In some departments, one unit provides information services to the remainder of the organization. Then, service charges are billed for the work performed. Generally, this is an unnecessary effort and sometimes discourages using available help. Therefore, this practice should be discontinued unless required by specific outside contracts.

Accounting Division

This division maintains and operates the Statewide Budgeting and Accounting System (SBAS), which records the financial activities of all state agencies including the university system. The $908,000 fiscal 1982 budget supported an authorized staff of 13 with one vacancy. The administrator directs three groups of specialists who supervise major accounting system automation projects, ensure SBAS financial reports will comply with Generally Accepted Accounting Principles by 1984, and process warrants and other entries required for all state agency accounting reports. Division specialists function well although several problems exist in warrant control and procedures.

Recommendations

49. Increase control over warrant claim payments.

The state issues over $740-million of warrants annually excluding payrolls and payments for Aid to Dependent Children and Medicaid. Current legislation allows claims to be paid from invoice copies. This provides inadequate internal control which can result in duplicate or fraudulent claims. To correct this situation, the division should implement these procedures:

- Require agencies to submit original documents to support warrant claims.
- Perforate all warrant claims and support documents after keypunching to denote cancellation and prevent duplication.
- Return perforated original documents to agencies for filing.
- Design a program to detect duplicate payments.

Implementation will prevent duplicate or fraudulent payments totalling one-half of 1% of all warrants issued. This will realize an annual saving of $3.7-million.

50. Pay vendors when invoices are due.

Warrants are issued and mailed immediately after the Accounting Division verifies a claim. Ignoring invoice due dates to speed processing results in a loss of interest income on funds. Therefore, an accounts payable and vendor information system should be designed to combine invoices from a specific vendor and pay them as they come due. The system should assign a permanent vendor number to each supplier for use on invoices and correspondence.

Implementation will save about $2,000 annually in warrant writing stock while substantial additional benefits are possible through improved cash flow. If payments in Montana could be delayed by as little as five days, the annual interest income will total $730,000.

51. Simplify the warrant claim form.

The transfer warrant claim is an unnecessarily complicated four-part form. Over 350,000 are printed annually by a private firm. To reduce costs and simplify procedures, two parts should be eliminated.

The proposed warrant writing system will provide all needed information in an alternate format. Furthermore, the Publications and Graphics Division has the printing capability to produce a two-part form, so the work will be assigned to that agency. Implementation will save an estimated $23,000 annually.

52. Redesign the state warrant.

The heavy card stock used for warrants is expensive while its design requires hand stuffing for mailing. To simplify processing, the heavy card stock should be replaced with a lighter weight paper. In addition, the warrant should be redesigned to include a side stub to identify the payment's purpose and facilitate the procedure recommended previously for paying multiple claims to a single vendor. This modification will speed computer printing as well. The new warrant should also be designed to enable automatic folding and stuffing with equipment already available.

Implementation will save approximately $21,000 annually in card stock. Eliminating manual processing will also reduce staffing requirements in the State Auditor's office. However, no saving is claimed.

Communications Division

This division provides statewide communication services, monitors systems, and approves equipment installations. The $3.3-million fiscal 1982 budget was obtained from fees billed monthly to user agencies. Seven authorized employees provide accounting, line monitoring, service modification, and planning assistance while two serve as phone operators in the capitol complex. Currently, two additional planners are temporarily assigned to the division to help design a new statewide communications network.

The state's communications needs continue to grow rapidly. However, the division lacks the technical expertise needed to design and evaluate requirements. Furthermore, several expensive new installations are being considered without the benefit of a long-range plan.

Recommendations

53. Hire a consultant to develop a long-range communications plan.

Significant planning activities and system changes are in progress. However, no overall long-range plan has been developed to ensure maximum statewide performance and compatibility of communications capabilities. The $87,000 appropriated by the Legislature for developing an extensive telecommunications plan is currently supporting two planners temporarily assigned to this division.

To increase planning expertise, a consultant should be retained to develop a long-range communications plan. By eliminating the two temporary planners, appropriated funds could be used for the consultant. In addition to following legislative directives, the consultant should independently analyze organization and staffing requirements for the proposed system. This would include developing personnel qualifications for the Communications Division; recommending appropriate equipment maintenance programs; and implementing previous equipment studies at four colleges and the capitol complex. Implementation will eliminate the temporary positions for a one-time saving of $87,000. However, a one-time cost for consulting could be as much as $87,000.

54. Delay proposed major systems changes.

Bids have been requested for new equipment at four locations. These are estimated at approximately $9-million. A change of this magnitude should not be made without development of a long-range communications plan plus extensive cost/benefit analysis. Therefore, proposed changes should be delayed until this plan is available.

55. Install IN-WATS service at the capitol complex and university system.

Long distance service costs are high because many collect and credit card calls are made from various state locations to the capitol complex and university system. These calls require operator assistance so charges are at a premium rate. A previous study indicated 80% of all long distance charges resulted from such calls.

To reduce costs, IN-WATS service should be installed for the capitol complex and university system. Since an accurate charge-back system would be expensive to implement, billings should be based on previous average long distance expenses. Operating costs of approximately $96,000 annually will be more than justified by an estimated saving of $190,00 each year.

General Services Division

This division is responsible for buildings and grounds maintenance; repair and security in the capitol complex; mail and other distribution services for agencies in the Helena area; as well as procurement, storage, and distribution of federal and state surplus property. In fiscal 1982 the administrator had a staff of 63 and an operating budget of approximately $3.5-million.

The administrator's office determines space requirements for state agencies upon request. Agency tenants pay a basic fee to cover utilities, janitorial services, security and maintenance. Organizationally, the division consists of a section plus two bureaus:

- Mail and Distribution Section - Processes and distributes mail and interagency communications.

- Surplus Property Bureau - Acquires surplus items from federal and state sources for eligible recipients. It also does some renovating on a part-time basis.

- Buildings and Grounds Bureau - Provides janitorial service, buildings and grounds maintenance, and security within the capitol complex. Minor maintenance is handled by state employees while major improvements are contracted out. All grounds upkeep, including pest control, elevator maintenance and garbage collection, is performed by private concerns on a contract basis.

The statute authorizing the Surplus Property Bureau to dispose of excess items, including trade-ins, is not being followed. Inventory and cash reimbursement control must also be improved while the Mail and Distribution Section is not utilized by all agencies. In addition, the Buildings and Grounds Bureau must make a decision regarding the extent of grounds maintenance.

Recommendations

56. Realign capitol security and police functions.

The Security Section in the Buildings and Grounds Bureau fulfills basic night watchman functions. It has no authority to search or detain individuals and supervision is not adequate. Because security officers are hired with minimal experience and are poorly trained, any major incident could result in irreparable and expensive damage. In addition, adequate police protection does not exist for people and property within the capitol complex. The City of Helena has this responsibility, but actual service is not satisfactory.

To solve these problems, the Security Section should be renamed the Surveillance Section to reflect its duties. Officers should be given sufficient training to maintain the integrity of state buildings and parking areas. Furthermore, personnel with experience, training and authority to carry and use weapons should be made responsible for protective services. Special attention should be given to the Governor and other elected officials. Implementation will incur an annual cost of $199,000 for increasing supervision, hiring 10 police guards, and purchasing equipment and materials.

57. Assign building space management duties to the Department of Administration.

Efficient space utilization in state agencies cannot be exercised without central control. Currently, many departments independently manage buildings constructed with state funds allocated from the General Fund. One department's building may be partially empty while another agency is leasing space in a private office complex. Lack of communication and control can even result in unnecessary new construction.

To better utilize space and reduce costs, the Legislature should centralize building ownership and management responsibilities under the department. While a significant saving in rentals and cost avoidance for new buildings could result, accurate estimates cannot be determined.

58. Discontinue charging rent in state-owned buildings.

Currently, agencies pay rent to the General Services Division for state-owned space. This fee is arbitrary because it does not account for differences in size, age of the building, or agency maintenance requirements. The system provides no opportunity for departments to control operating expenses and is costly to administer.

To solve these problems, the present rental system should be discontinued. Implementation will eliminate the duties of one position in the General Services Division for an annual saving of $16,000. In addition, time valued at almost $184,000 can be put to better use by participating departments but is not claimed.

59. Use state employees to provide janitorial service and grounds maintenance.

The General Services Division contracts for janitorial and grounds maintenance services for the capitol complex. However, far too much time and money is spent studying the cost effectiveness of this service. As a result, highly paid people spend many hours on a relatively simple matter. Furthermore, bonding requirements limit the competitive bidding process because very few potential contractors are able to meet statutory restrictions.

Transferring janitorial and grounds maintenance duties to state employees would involve a one-time cost of approximately $100,000 for the purchase of capital equipment. Current contract expenditures would be offset by state payroll costs.

60. Assign grounds maintenance responsibilities to the Department of Fish, Wildlife and Parks.

Expenditures for maintaining grounds and landscaping within the capitol complex are escalating constantly. However, maintenance costs are not considered during new construction planning. Furthermore, the present Capitol Grounds Maintenance and Landscaping Committee membership is skewed toward technical skills rather than landscape architecture.

To control costs, all grounds and landscaping responsibilities should be placed under the Department of Fish, Wildlife and Parks which employs a landscape architect. In addition, at least two non-state employees should be added to the Capitol Grounds Maintenance and Landscaping Committee to emphasize cost effectiveness. Alternative forms of landscaping which require a minimum of maintenance or water should be studied. For example, sage, prairies, minerals, shrubs and trees could be substituted for lawns. However, the present landscape concept around the capitol building should be retained. Implementation will keep maintenance costs to a minimum although no saving is claimed.

61. Require all departments to use the services of the Mail and Distribution Section.

This section is responsible for providing mail and messenger functions to all state agencies. However, it is underutilized because some departments have duplicate services. To eliminate this costly practice, agencies should discontinue individual mail and messenger activities. Where necessary, legislation should direct elected officials to stop such practices. These actions will realize an annual saving of $304,000.

62. Improve equipment purchase and disposal procedures.

State agencies are neither using the Surplus Property Bureau to dispose of unneeded and outdated property nor consulting with it when a need arises for additional equipment. No incentive exists to locate needed property in this manner because equipment, furniture and fixtures can easily be leased or purchased. Therefore, procedures should be altered to route all disposal and acquisition requests through the Surplus Property Bureau. Methods should be developed to provide incentives for following this practice, including comprehensive inventory control records. Implementation will result in a large annual saving which cannot be calculated because of inadequate records.

63. Reduce the scope of Surplus Property Bureau activities.

The volume of surplus property available from federal and state agencies does not justify the bureau's size. It occupies 39,000 square feet of warehouse space as well as a 1,700 square foot office. Many surplus items are outdated and unusable but are occupying space that could be used more effectively by other state agencies.

To reduce operations to a more productive size, federally donated surplus could be returned to the General Services Administration in Denver and unwanted state items sold at public auction. The bureau could then be reorganized to act as an information and assistance clearinghouse. Eventually, this activity should be considered for integration with the Purchasing Division. Implementation will provide an annual saving of $128,000 in rental charges. An additional benefit of $75,000 will result by eliminating four bureau positions. Therefore, the total annual saving to the state will amount to $203,000.

64. Store all state property and records in government facilities.

Several state agencies are storing property and records in commercial facilities. This is inefficient and expensive since vacant space in state-owned buildings is available. Therefore, property and records in leased storage should be examined, unneeded materials destroyed, and the remainder moved to state-owned facilities. Implementation will provide an annual saving of $14,000 in rent.

Insurance and Legal Division

Insurance coverage, legal services and property appraisals are provided by this division. It also administers state programs for self-insurance, risk management and deferred compensation as well as secures bond coverage for all state employees. With a fiscal 1982 budget of $2.1-million, an administrator supervises six staff members, including a lawyer, appraiser, investigator and support staff. Two other department attorneys work closely with this unit.

Several problems exist in insurance management, including an excessive self-insurance reserve fund balance. Also, adequate data are not collected to adjust premiums accurately or detect claim and accident trends.

Recommendations

65. Reduce the self-insurance reserve fund.

The division lacks an established policy for regulating the self-insurance reserve fund balance, currently at $8.4-million. This balance cannot be justified since projected liabilities amount to $3.1-million. Furthermore, the division rarely establishes reserves for claims under $1,000.

To ensure the reserve fund is maintained at an adequate, but not excessive level, a new strategy should be developed. Reserves are now being appropriately established for claims where the division expects an award to favor the claimant. Under the proposed system, a reserve equal to the total liability or $1,000, whichever is less, would be established for all other claims. This would require a current reserve of $2.3-million, while 50% should be added for safety. Another $1-million should be allocated for liabilities incurred but not reported, and 15% should be added to cover division operating expenses. Using this approach, the reserve would total $5.3-million. Therefore, the existing fund should be reduced accordingly and reserve levels reevaluated periodically or when liabilities vary significantly. This will release $3.1-million of state reserves for use elsewhere.

66. Collect insurance program data.

The division cannot accurately project liabilities or detect loss trends because of insufficient data on insurance claims. A computer program should be designed to collect and store required statistical information. These data will then be available to determine premium levels, analyze trends, and improve loss control measures. The one-time implementation cost will be approximately $5,000.

67. Develop a loss control program.

Multiple claims result from defects that are never detected or corrected. Therefore, a consultant should be hired to evaluate agency operations and recommend an effective loss control program. The one-time development cost is estimated at $52,000. When implemented, the program should be assigned to risk management personnel. This action has the potential for generating a 10% claim reduction within five years. However, a projected saving of $595,000 is not claimed.

68. Distribute an insurance manual.

The division does not publish a comprehensive insurance manual. Instead it issues an annual memo detailing state liability coverage as well as report and claim procedures. The administrative officer supplements this information with annual visits to explain programs and reporting responsibilities. The system is time consuming and the memo easily lost.

To ensure cooperation and understanding, a manual should be compiled consolidating information on state insurance programs and procedures. The manual should be included with new employee training materials. Implementation will encourage timely reporting, provide more accurate liability projections, and eliminate the need for annual visits. No saving is claimed because any cost reduction will be used to pay for manual preparation and printing.

Purchasing Division

With a fiscal 1982 budget of $1.6-million, the administrator directs a staff of 21. The division's duties include reviewing agency purchase requisitions, writing specifications, soliciting bids from vendors, awarding purchase contracts and change orders, plus maintaining the Central Stores operation. During fiscal 1981, the division processed 10,748 purchase orders valued at $44-million. Three section heads are responsible for operations:

- □ Assistant Administrator - Supervises purchasing agents whose duties include developing specifications, holding bid openings, tabulating bids, plus making evaluations and awards.

- □ Office Manager - Directs a secretarial staff which reviews requisitions and generates requests for quotations and purchase orders.

- □ Chief of Central Stores - Oversees the maintenance of an inventory of high use supplies for all state agencies.

The division's procedures are too complex, resulting in excessive paperwork. For example, three methods are used to obtain competitive bids based on their value. They are designed to help a central agency process orders rather than benefit various system users. Furthermore, many departments have obtained exemptions from the rules. There is no vendor analysis or product evaluation. Also, few employees are skilled in monitoring contracts while adequate management information is not available. Some equipment is purchased without considering alternate methods. In addition, the Central Stores facility is inadequate.

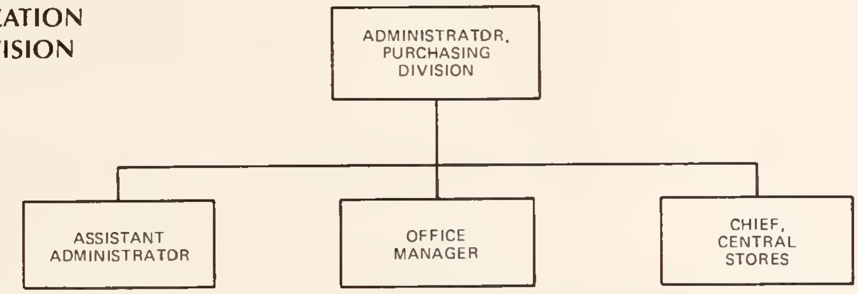
Recommendations

69. Decentralize the purchasing function.

Montana state government is highly decentralized. However, the Purchasing Division is attempting to exercise centralized control of its function. As a result, agency needs are not met because of delays, poor quality merchandise, and excessive costs. In an attempt to expedite procurement practices, many agencies do their own requirements planning, source research, product selection, specification writing, and pricing — leaving only the paperwork processing to the division.

To solve this problem, the system should be restructured to allow agencies to purchase their own goods and services while the central division provides policy, training, auditing, compliance enforcement and bulk purchasing expertise. Several agencies have obtained exemptions from formal purchasing procedures and are doing a significant amount of buying. The Purchasing Coordinating Committee proposed elsewhere could assist by identifying those agencies which can be purchasing cen-

PRESENT ORGANIZATION PURCHASING DIVISION



ters, assigning smaller units to them, and supplying proper staff support. Implementation will replace a system which does not work with one that can effectively meet the needs of state agencies and minimize wasteful duplication of effort.

70. Restructure the Purchasing Division.

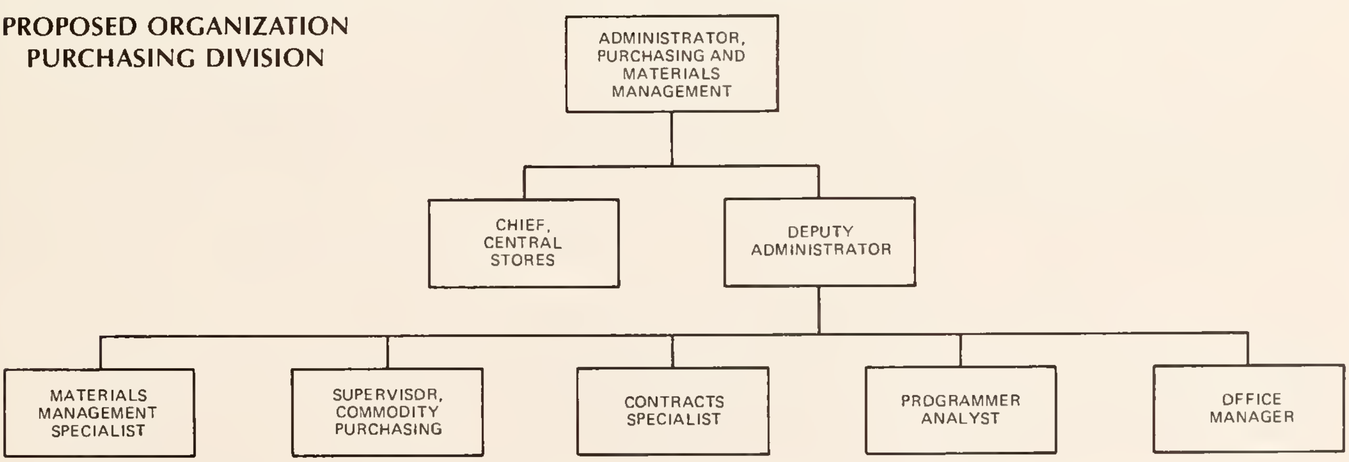
The primary activity of the Purchasing Division is placing orders through purchasing agents supervised by an Assistant Administrator. Paperwork is handled by a secretarial staff headed by an Office Manager while a Central Stores operation warehouses office supplies and the like. The present organization chart shown above illustrates this structure.

As other recommendations in this report indicate, the current trend is to decentralize purchasing activities. Therefore, the division should be reorganized into six new positions as illustrated by the proposed chart shown below.

- Administrator, Purchasing and Materials Management - Formulates statewide policy, chairs the proposed Purchasing Coordinating Committee, and serves as liaison with legislative committees and other state agencies.

- Deputy Administrator - Oversees day-to-day activities of the division as well as supervises the preparation of detailed procedures, manuals and forms to implementpolicies established by the Administrator.

PROPOSED ORGANIZATION PURCHASING DIVISION



- Materials Management Specialist - Provides expertise to agencies on all aspects of materials management and inventory control. Also, supervises the design of automated management information systems and uniform warehousing practices and procedures.

- Commodity Purchasing Supervisor - Directs buying activities which remain with the Purchasing Division. These would include annual contracting for commodities, negotiating yearly pricing agreements, and making large bulk purchases. In addition, this position would assist in preparing standard specifications and procedures as well as supervising activities of purchasing agents.

- Contracts Specialist - Supervises the statewide service contracting function. Responsibilities would include preparation and coordination of standard contract forms, writing procedures, training agency personnel in contract administration functions, assisting in major negotiations, as well as providing the assistance required to resolve contract disputes.

- Programmer Analyst - Designs and coordinates automated purchasing management systems.

The Office Manager should report to the Deputy Administrator with a reduced secretarial staff to reflect the diminished work load. The Chief, Central Stores would continue to report directly to the Administrator.

The restructured division would provide centralized policy-making and compliance monitoring, as well as make purchases for all multiple agency requirements. Its focus would be shifted toward servicing the various agency purchasing centers. Reductions in the work load created by decentralization, as detailed elsewhere, would allow a staff reduction of 23 to provide an annual saving of $291,000. However, replacing the existing employees with 17 new positions will increase salary expenses by $322,000.

71. Establish a Purchasing Coordinating Committee.

Presently, there is no effective way to obtain statistics on the volume, type of purchases, or method to review and solve problems which are common to several agencies. Also, no system is in place to disseminate data or provide guidance to state agencies.

A Purchasing Coordinating Committee should be established to help resolve these problems. It would consist of the division's administrator and five managers from agencies with major purchasing centers. Specific activities would include:

- Establishing a clearinghouse for collecting information.

- Reviewing and standardizing specifications.

- Cooperating with the Governor's office to revise procurement statutes and administrative rules.

- Enforcing statewide policies and procedures.

Implementation will improve buying effectiveness, supply vital information on the scope of procurements, and provide common direction on policy and procedural matters.

72. Review procurement statutes and regulations.

Montana's purchasing code is not followed, because, on the whole, it is considered unworkable. The code is not comprehensive, clear or consistent.

To provide an adequate foundation for a new statewide procurement system, the Governor should appoint a Procurement Task Force to review and recommend revisions in existing statutes and rules. Task force members should come from the private and public sector. Specifically, they should study:

- ☐ Organization structures
- ☐ Source selection and contract formulation
- ☐ Buying specifications
- ☐ Purchasing of services
- ☐ Contract modification and termination
- ☐ Purchasing of construction, architectural, engineering, or other professional services
- ☐ Cost principles
- ☐ Supply management
- ☐ Legal and contractual remedies
- ☐ Intergovernmental relations
- ☐ Assistance to small and minority businesses
- ☐ Ethics in contracting
- ☐ Implementation strategies and timetables.

Consideration should also be given to the model procurement code of the American Bar Association. This will provide guidance in developing standards which are clear, concise and workable and can be used effectively by all agencies.

73. Standardize procurement authorizations.

Due to the inability of the Purchasing Division to meet user needs, many agencies have obtained exemptions to have more autonomy in procurement efforts. Additional pressures are being exerted to increase and expand these authorizations. However, rational authorization levels have not been established as part of this process.

The Purchasing Coordinating Committee, recommended elsewhere, should set policies concerning agency purchasing limits. These should be raised incrementally to $25,000. Discretionary buying should be allowed on small purchases up to $500 and on short-list bidding procedures used for acquisitions of less than $2,500. Procurements costing $2,500 or more should be made by formal requests for bids while purchases over $25,000 would be processed by the Purchasing Division.

Standardized forms and procedures would be developed to cover these major categories and agency personnel trained in their use. Implementation of this recommendation will significantly reduce time and paperwork required during the procurement cycle and eliminate costly duplication of effort by agencies and the division.

74. Establish a statewide procurement management reporting and compliance system.

Presently, no reliable statistical data are available concerning the scope and extent of statewide procurement activities. This lack of information precludes efforts to provide general guidance and effective direction to purchasing functions.

The restructured division, working with the proposed Purchasing Coordinating Committee, should establish a management reporting system which will provide the necessary information to monitor decentralized purchasing. Basic facts such as number of purchase orders and dollar values by agency, vendor and commodity should be collected. This information should be used to review agency purchasing patterns and identify problem areas. Also, the Legislative Auditor should evaluate existing agency procurement centers on a biennial basis. Implementation will assure improved effectiveness and statewide cost reduction.

75. Develop a computerized inventory management information system.

There are at least three large storerooms in the Helena area. They receive supplies for the Departments of Highways and Social and Rehabilitation Services, as well as Central Stores, then distribute them to local offices. All have separately developed computerized inventory control systems but none are comprehensive or fully adequate. For example, no usage history and economic order quantity data are available. Consequently, there is a lack of inventory level information and an absence of usage history. As a result, many storerooms are warehousing obsolete items. Thus, costs of improper inventory management are high.

A common inventory control system similar to the Statewide Budget and Accounting System should be developed for use by all agencies. While computerized software would be identical, each agency would maintain a separate data base. Periodic reports would be generated combining figures from various agencies to provide an accurate picture of total consumption and inventories. This system should also include common storeroom procedures and forms.

When implemented, inventory reductions will result in an annual saving of approximately $300,000. The estimated one-time outlay for systems development will be $50,000. However, a one-time saving of $100,000 will be attained by eliminating current duplicative software costs.

76. Develop and implement a purchase order and contract administration training program.

Responsibility for purchase order and contract administration rests with individual agencies. However, when orders are not timely, prices are not honored, or contractors fail to perform, personnel do not know the proper remedies because they have received no prior instruction.

A purchase order and contract administration training program should be developed for department officials who are responsible for monitoring these activities. It should cover rights and obligations of parties under Montana's Uniform Commercial Code as well as the principles of contracts. Emphasis should be placed on the practical application of contract language and enforcement. As a by-product, the division should prepare a comprehensive purchase order and contract administration manual to be used as a reference in addressing specific problems. The one-time cost of training plus manual printing and distribution is estimated at $50,000.

77. Provide more resources to Central Stores.

The Central Stores operation allows the state to take advantage of its buying power in office supplies and paper products. By receiving these items at a central location and distributing them to individual agencies, Montana is saving 40% to 50% on merchandise costs. However, Central Stores is hampered by a lack of resources which keeps it from realizing its full potential. Inadequate space is a major problem. The current warehouse is cramped and cannot meet agency needs. Low ceilings, inadequate shelving, plus inefficient loading and unloading facilities severely hamper the ability to satisfy growing demands.

One possible solution would be to utilize the Surplus Property Bureau space, which currently occupies two floors in the same building and is being reduced by a recommendation made elsewhere. In addition, more efficient docking facilities should be installed and better shelving obtained. Demand for this service could easily double in the next two to three years. If $600,000 worth of additional merchandise could be purchased at a net price of 28% to 38% below what it would otherwise cost, the annual saving could be about $200,000, but is not claimed.

78. Perform an economic lease versus purchase evaluation on vehicle and high-technology equipment procurements.

If funds are available, most agencies buy equipment. If not, a short-term vendor lease or month-to-month rental is exercised. Few understand the proper role of long-term leasing.

By requiring a lease versus buy analysis on vehicles, heavy duty equipment, and high-technology components, the net present value of money and discounted cash flow effects of each option could be determined. This function should be assigned to the Office of Budget and Program Planning. In addition, the advantages of third-party leasing companies should be explored. Intelligent lease versus buy decisions will save the state about 15% or $75,000 annually on major equipment purchases.

79. Establish lease purchase authorization procedures.

State law prohibits purchase agreements that obligate the state for three years or more. This prevents purchasers from committing funds which are not yet appropriated. However, agencies circumvent this statute with long-term equipment leases containing purchase options. Although such leases include termination clauses, they clearly violate the intent of the statute and can be impractical to cancel.

To strengthen financial control, lease purchase procedures should be defined so legislative authorization is needed in instances above a set amount. Processing by the Purchasing Division should be mandated as well. Implementation will prevent the state from incurring sizable monetary obligations without proper authorization.

80. Implement a vendor qualification and performance appraisal system.

Under the present system, a vendor is placed on a commodity bid list if a letter request is made to the state. No effort is made to determine qualifications. Therefore, a new supplier can be awarded a contract based on a low bid. If performance is unsatisfactory, agencies may submit complaint forms to the division, but this practice is not encouraged and investigative action is not rapid.

The Purchasing Division should develop a standard prequalification questionnaire in conjunction with the automated vendor data base currently under design. At the same time, a performance appraisal form should be instituted to determine if vendors are complying with order terms and meeting agency needs. Implementation will keep unacceptable vendors off the bid list, improve the quality of goods and services received, and identify suppliers who provide high quality goods and services.

81. Revise bonding procedures.

The division has authority to ask for bid security and performance and payment bonds on all contracts. While they are generally required, they are not enforced even when problems arise. Therefore, the procedure increases paperwork and material or service costs without benefits.

To solve this problem, bid security deposits and bonds on contracts under $25,000 should be eliminated. Written procedures should be established regarding when bonds are required on other contracts. Furthermore, the state should prepare its own bond forms, so contract administrators can be trained in the use of these instruments. Assuming that 95% of the 11,000 purchase orders covered by bonds are for less than $25,000, elimination of the provision will provide an annual saving of about $18,000 through lower contract costs.

82. Eliminate the requisition time schedule.

The division purchases certain materials, supplies and commodities annually or semi-annually based upon agency forecasts detailed on a requisition time schedule. The purpose is to reduce paperwork and obtain better pricing through volume discounts. However, neither goal is achieved.

The schedule should be eliminated. The proposed Purchasing Coordinating Committee should review current lists and identify merchandise which could be bought in bulk by one or two agencies, then distributed to others. The remaining items should be purchased by individual agencies as needed. About 24% of the 11,000 purchase orders issued by the division were for requisition time schedule items. Since each costs about $50 to process, implementation will save $132,000 annually.

Vehicle Management

The management of state-owned vehicles is uncoordinated and inconsistent. No agency maintains an inventory of the estimated 3,300 passenger cars and trucks plus 2,290 pieces of construction and maintenance equipment owned and operated by the state. At least 19 agencies have completely independent vehicle fleets. This fragmentation seriously limits long-range planning and financial control. More specifically, there are no standard purchasing specifications, replacement policies, maintenance practices, recordkeeping procedures or cost analyses systems. This results in increased costs and underutilization of vehicles.

Recommendations

83. Centralize vehicle fleet management in the Department of Administration.

Only three of the 19 agencies with fleets have trained vehicle management personnel and automated inventory systems. In addition, the small motor pool operated in the Department of Highways is underutilized by other agencies. To correct this situation, a Division of Fleet Management should be created within the Department of Administration to manage all state vehicles except the Department of Highways' specialized heavy equipment.

To assist in organizing this new division, an advisory committee should be formed. Membership should include one representative from the seven departments with over 50 vehicles: Highways; Fish, Wildlife and Parks; Institutions; Justice; State Lands; Revenue; and the Board of Education. The committee would ensure communication and coordination among user agencies. It could also provide guidance in selecting and installing the best available operating systems in the proposed Division of Fleet Management. These would include the following:

- □ Develop and implement a statewide automated vehicle and equipment inventory system. One of the three automated systems in operation should be used as a base. In addition, insurance, legal and administrative personnel should be consulted to identify related inventory needs.

- □ Adopt standard vehicle specifications to reduce purchasing and maintenance costs.

- □ Formulate replacement and acquisition policies in cooperation with the Purchasing Division. Replacement criteria should include resale value, length of service, rate of depreciation, and vehicle use.

- □ Develop an information system to analyze usage and operating cost data. This would aid in assigning or replacing vehicles.

- □ Implement a preventive maintenance program based on industry standards.

- □ Strengthen control measures so personal use of state vehicles is minimized. This should include adopting a uniform identification system.

Centralized management will reduce the number of state-owned vehicles by 240. Surplus sale proceeds will produce a one-time income of $480,000 while reduced operating, maintenance, replacement and insurance expenses will yield a total annual saving of $420,000.

84. Reassign the motor pool to the proposed Division of Fleet Management.

Currently, the Department of Highways provides a motor pool for Helena-based state employees. This pool is not managed efficiently and available vehicles are underutilized. To broaden its service capacity, the pool should be reassigned to the proposed Division of Fleet Management.

85. Use consolidated bulk fuel facilities.

The state's 240 bulk fuel facilities are underutilized because service is often restricted to vehicles owned by the operating agency. Also, many have small capacity tanks that preclude bulk purchase discounts.

To reduce operating expenses, all state vehicles should obtain fuel at bulk facilities whenever possible. Currently, 32 key-operated, unmanned fuel sites are located in eight major cities: Billings, Bozeman, Butte, Great Falls, Helena, Kalispell, Miles City, and Missoula. The feasibility of consolidating and enlarging the capacity of fuel depots in these cities should be studied. If results are positive, the sites should be unified and the feasibility of creating facilities at Glasgow, Glendive, Havre, Lewistown, and Wolf Point evaluated.

Installation of an automated card-operated fuel dispensing system at the eight consolidated stations will increase efficiency and reduce unauthorized use. The one-time cost of implementation will be $80,000. However, an estimated 7% reduction in annual fuel expenditures will produce a saving of $333,000.

86. Calibrate bulk fuel facility meters regularly.

Incoming and dispensing fuel meters at bulk facilities are rarely calibrated so readings are inaccurate. Fuel deliveries cannot be verified unless attendants calculate corrections with storage tank stick measurements. To accurately monitor purchases and use, periodic meter calibrations should be scheduled. Implementation will ensure accuracy and increase vendor accountability.

87. Develop a cost-effective maintenance and repair program.

Insufficient cost data are available in Montana to compare operating expenses of state-owned facilities with privately contracted services. When the automated information system of the proposed Division of Fleet Management becomes operative, accurate cost data, including overhead allocations, should be reviewed to establish a cost effective maintenance and repair program.

88. Enforce accident reporting procedures.

The Department of Administration requires an accident or loss report for all incidents involving state vehicles. Repair expenditures are then charged against a designated account. However, few forms are ever submitted. As a result, repairs are charged improperly while it is impossible to determine who needs driver testing and training.

Procedures should be developed and enforced to ensure prompt, proper reporting of accidents. Disciplinary action should be taken when employees fail to comply. Implementation will provide information needed to reduce losses and develop accident prevention programs.

Department of Labor and Industry

Fiscal 1982 Budget: $116-million, including $34-million in federal funds.
Positions Authorized: 1,012.
Positions Filled: 773.
Chief Operating Officer: Commissioner of Labor and Industry.
Reporting Structure: The commissioner, who reports to the Governor, supervises seven divisions and three sections.

The Department of Labor and Industry serves as an employment agency, protects employees from discriminatory practices, and enforces labor laws and safety standards. The department also administers workers' compensation, unemployment insurance, and collective bargaining laws. The commissioner supervises Claims Investigations, Veterans Employment, and Unemployment Insurance Appeals Sections. In addition to the overall department, the following four divisions are included in this report while the three remaining — Unemployment Insurance, Workers' Compensation, plus Job Service and Training — are covered in separate sections:

- □ Human Rights Division - With a staff of seven, the division investigates complaints of discrimination based on race, creed, religion, color, sex, physical or mental handicap, age, national origin, marital status, or political beliefs. Cases not reconciled are heard by a five-member Human Rights Commission appointed by the Governor.

- □ Personnel Appeals Division - Nine employees negotiate labor-management relations as well as employee classification appeals. A five-member Board of Personnel Appeals holds hearings to make unit determinations, resolve unfair practices, and mediate disputes.

- Labor Standards Division - A staff of 15 in two bureaus — Standards and Apprenticeship — enforces labor laws and supervises on-the-job training programs.

- Centralized Services Division - The staff of 53 performs fiscal, data processing, research and personnel support activities.

The department is currently being reorganized. A number of problems were observed, including a growing backlog of human rights cases. In addition, the appeals process is slow and inefficient so important cases are not heard promptly. Review standards and definitions are not clear. Furthermore, duplicate legal services and unnecessary, ineffective programs have been observed.

Recommendations

89. Establish detailed definitions and review standards.

Referees in the Unemployment Insurance Appeals Section lack specific definitions for three terms: "stoppage of work", "good cause", and "misconduct". As a result, claimants frequently appeal case decisions where these terms are involved to the Board of Labor Appeals. Since there are no established definitions, the board reverses about 50% of the appeals. When reversals are further appealed by the state, approximately 90% are overturned by the district court. Benefit awards directly attributable to cases involving these terms total approximately $150,000 annually. An additional $529,000 was awarded for the same reason in eight class action suits during 1981 and 1982, or approximately $265,000 annually. When awards are reversed, the state often encounters collection problems.

A legal specialist should define these three terms to guide the Unemployment Insurance Appeals Section and the Board of Labor Appeals. In addition, an attorney should assist the board in establishing appropriate review standards. Implementation will improve operating effectiveness by minimizing reversals caused by this unclear terminology, saving approximately $415,000 annually.

90. Hire an additional claims investigator.

The fraud control program in the Claims Investigation Section discovered $167,000 in overpayments during 1981. This saving resulted primarily from the efforts of the chief investigator who has run the program for many years. While office support is available, no one has been trained in investigative techniques.

To ensure program continuity in the absence of the chief investigator, a claims investigator trainee should be hired. With proper instruction and guidance, this staff addition should be able to increase the return on fraud discovery by approximately 50%, thus generating an additional $84,000 in annual income. Therefore, the annual salary of about $16,000 will be readily offset.

91. Amend the Montana Human Rights Act.

About 30% of the two- to three-year case backlog in the Human Rights Commission involves complaints against companies with fewer than 15 employees. Federal Equal Employment Opportunity Commission requirements exempt these employers, while the Montana Human Rights Act applies regardless of size. Therefore, Montana's laws should be amended so they are consistent with the federal statutes. Implementation of this recommendation will reduce the current caseload by about 30% and avoid approximately $59,000 in annual expenses. However, no saving is being claimed.

92. Eliminate the attorney's position in the Human Rights Division.

Although the Human Rights Division employs a legal counsel, the Attorney General also assigns a lawyer whenever a human rights case is certified for hearing. Thus, both counsels interpret regulations and perform other legal services for the Human Rights Division. This duplication reduces the legal work load for the division's attorney to about 20%.

To increase productivity, the in-house counsel position should be eliminated and required services contracted with the Attorney General's office. Yearly consulting fees are estimated at $15,000, while elimination of the attorney position will save $28,000 annually.

93. Reassign human rights activities to the Labor Standards Division.

The case backlog in the Human Rights Division represented almost two and one-half year's work at the end of fiscal 1981. This is expected to increase by 20% during the current fiscal year. In comparison, the Labor Standards Division has only a four-month backlog.

To reduce this caseload, the Human Rights staff should be consolidated into the Labor Standards Division. Although the Human Rights Commission would continue to function as before, the Administrator of the Labor Standards Division would be responsible for planning and scheduling the total work load. Implementation will produce an estimated annual saving of $8,000.

94. Establish a case docketing, tracking and reporting system in the Personnel Appeals Division.

Currently, the division has no system for scheduling cases. As a result, some take up to two years to complete. In addition, no statistics are compiled on cases filed, settled or pending.

To resolve this problem, a docketing, tracking and reporting system should be developed and installed using such factors as public impact and potential harm to applicants for setting priorities. Implementation will speed critical case processing as well as provide needed records. In addition, installing consistent procedures will create a more predictable work flow.

95. Conduct annual performance reviews in the Personnel Appeals Division.

Staff performance is not evaluated on a regular basis and training is not offered. Therefore, a formal program should be developed to measure employee proficiency in job skills. In addition, training should be available to correct deficiencies. Implementation will improve staff morale by recognizing measurable accomplishments.

96. Abolish the Apprenticeship Bureau.

The private sector has not shown significant interest in services offered by this bureau. While 750 employers are registered, only 415 have active apprenticeship or on-the-job training programs. Therefore, the Apprenticeship Bureau should be abolished and private sector replacement programs developed in cooperation with educational facilities and unions. Implementation will eliminate four full-time and two half-time positions for an annual saving of $57,000 for the state and $55,000 for the federal government.

Unemployment Insurance Division

The Unemployment Insurance Division collects state unemployment contributions from employers for deposit in a federal trust. Funds are withdrawn as needed for distribution to qualified program participants. Approximately $40.9-million of the $43.1-million fiscal 1982 budget was paid in benefits.

A three-member Board of Labor Appeals is appointed by the Governor to provide program and policy direction to this division. The division is assigned to the Department of Labor and Industry for administrative purposes, but functions almost autonomously. However, appeals to the board begin after administrative remedies are exhausted.

The division administrator reports to the Board of Labor Appeals while overseeing 112 positions in four bureaus:

- Employer Services - Determines employer status and administers required reporting procedures. This bureau also processes the Department of Labor and Industry's mail.
- Contributions - Manages funds, conducts audits, and supervises field activities.
- Benefits - Determines claimant eligibility and sets specific benefit amounts after receiving claims.
- Administration Support - Conducts financial, procedural and management studies.

A dedicated staff performs assigned tasks efficiently. However, several unnecessary programs and duplicate efforts were observed. In addition, form processing procedures are unnecessarily complex and collection delays are costly.

Recommendations

97. Adopt a common employer report form.

The Unemployment Insurance Division, Workers' Compensation Division, and the Income Tax Division of the Department of Revenue each require employers to submit a quarterly wage report with separate payments. Each group uses a different form that is mailed and processed separately. This is costly and inefficient for the state and employers.

To simplify processing, a common report form should be designed. It should be compatible with the state data processing system and varying department needs. Implementation will improve relations with the business community while reducing federal postage and supply expenses by approximately $40,000 annually.

98. Suspend the employer copy of the quarterly wage report form.

An employer copy is provided in each mailing of the employers quarterly wage report. However, it is useless because it is incomplete. Most businesses discard this form and make photocopies of the original.

To test user response, the employer copy should be withheld in the next mailing. If less than 10% of the recipients complain, the form should be discontinued permanently. Implementation will result in a federal annual saving of $1,000.

99. Merge the Contributions and Employer Services Bureaus.

Since both bureaus deal with employers and tax payments, separate operations result in confusion and duplication. In addition, both chiefs direct field representative activities, while only the Contributions Bureau chief has been assigned this responsibility.

To integrate related functions, the two bureaus should be combined. The Employer Services postal function should be transferred to the Administration Support Bureau to ensure a stable work load after the merger. The two field supervisors should report directly to the division administrator. Implementation of this recommendation will clarify responsibilities, eliminate one bureau chief position and provide an annual saving of approximately $33,000.

100. Improve collection efforts.

The length of time an account is overdue affects collection efforts. If it exceeds 90 days, the account is probably uncollectible. Currently, the accounts receivable system does not age outstanding accounts. However, it is estimated that 60% of the division's receivables exceed the 90-day limit. Therefore, a good portion of the collection effort is wasted.

To increase effectiveness, the data processing system should provide aging information on each account. Three categories should be created: active, with high probability for collection; inactive, with doubtful probability; and suspended, or uncollectible. Collection efforts should then be concentrated on active accounts. An increase of approximately 24% in successful collections will produce an additional income of $227,000 annually.

101. Shorten collection processing time.

Employer tax liability is calculated from information on quarterly reports. Late reporting results in late billing and increases the unpaid liability. Currently, notice cards are mailed 15 days after a report form becomes overdue. Subpoena letters demanding submission within 15 days are mailed 15 days later. Thus, 45 days elapse before a liability can be calculated and billed.

To speed processing and improve collections, the notice card should be eliminated. A subpoena letter should be sent seven days after a report becomes overdue, demanding submission within five days. A field representative should personally visit or telephone seven days later to ensure compliance.

102. Transfer unemployment insurance funds to the state clearing account.

As funds are needed, the Unemployment Insurance Division transfers the necessary amounts from the U. S. Treasury to a local checking account. However, it does not deposit funds in the state clearing account. Since amounts in excess of a minimum balance in the latter are available for investment, unemployment insurance funds should be deposited in the same account. Implementation will increase investment funds, resulting in additional income of approximately $94,000 annually.

Workers' Compensation Division

The Workers' Compensation Division administers programs to compensate as well as provide medical and rehabilitation services to employees injured on the job. Three alternative coverage plans are available to employers: private, state or self-insurance. The division also promotes safe working conditions. The total income from all sources in 1981 was $34-million of which $23-million was paid out in claims. Invested reserves were $63-million.

The administrator managed a $5.9-million fiscal 1982 operating budget. Of the 180 positions authorized, 162 are currently filled. In addition to Audit, Rehabilitation, and Crime Victims Units, the division has the following four bureaus:

- State Insurance Fund - Operates as an insurance company, collecting premiums from employers and dispersing funds to claimants. Other state agencies are used for related accounting and investing activities.

- Insurance Compliance - Reviews cases for self- insured or privately insured carriers, monitoring claims and settlements.

- Safety and Health - Conducts industrial, mine, and boiler inspection and training programs.

- Administrative Services - Provides support through accounting, personnel, statistical, informational and management services.

This division performs its mission well. Nevertheless, a number of deficiencies were noted, including cumbersome manual recordkeeping systems, inadequate claims review, and failure to conduct safety inspections at the proper rate. There is a potential conflict of interest between the State Insurance Fund Bureau and division operations. In addition, the State Uninsured Employers' Fund has been exhausted.

Recommendations

103. Discontinue State Insurance Fund expansion plans.

The State Insurance Fund offers inexpensive coverage to employers who cannot obtain it elsewhere. The bureau has made tentative plans to aggressively expand the market for this service. However, companies in the state are already well served by private carriers who offer more comprehensive benefits. Therefore, the proposed expansion of state services would probably attract poor risk clients who are having difficulty obtaining coverage from private companies. This would result in increased operating expenses and premiums.

To avoid this problem, the State Insurance Fund should continue to operate at the current, restricted service level. Implementation will assure the fund's continued ability to provide coverage at an attractive cost without competing in the open market.

104. Conduct a study to determine reorganization alternatives.

A potential conflict of interest exists between the State Insurance Fund Bureau and the Workers' Compensation Division. The former is an insurance company seeking to operate at the least possible cost consistent with the law. The latter focuses on protecting workers and maximizing injury benefits.

Although no problem exists with the current staff, conflicts could materialize with different individuals in office. Since separating the bureau from the division would create other problems, no clear solution exists. Therefore, a study should be made to analyze various alternatives.

105. Reduce the administrator's role in approving claim settlements.

The Workers' Compensation Division approves all state and private insurer compromise or lump-sum claims. However, the practice is time consuming and rarely leads to revised settlements. In addition, the division's Insurance Compliance Bureau reviews all workers' compensation claims processed by private insurance companies. This results in unnecessary duplication of effort.

To reduce the division administrator's involvement in routine matters, approval authority should be delegated to line supervisors. The administrator should continue to approve settlements over $75,000 while the assistant administrator could review those between $50,000 and $75,000. Also, the Insurance Compliance Bureau should use sampling procedures to inspect private carrier claims.

Implementation will allow the administrator to devote more time to efficient management while the work load of the Insurance Compliance Bureau will be reduced 30%. This will eliminate two positions for an annual saving of $36,000.

106. Contract for private claims' audits.

Claims determined by the State Insurance Fund Bureau are not audited. Sound business practice indicates an outside audit should be conducted every three to five years. Therefore, a private auditor should be engaged to audit claims every four years. The annual cost is estimated at $13,000.

107. Reduce paperwork and file storage requirements.

Claims for all three insurance plans are held in active files for four years and in storage for another six. Every injury reported becomes a claim file even when no payment for medical services or compensation results. Thus, almost 140,000 case files are in active storage, while only about 7,000 claims are under consideration at any one time.

To reduce the volume of paperwork and minimize storage, the following measures should be implemented:

- Require employers to submit lists of minor injuries not expected to result in claims. Input information into the data bank without establishing separate claim files.
- Process medical claims for payment, enter data, and file documents in a social security coded file. Files should be purged after two years.
- Develop a claim file only when an injury becomes a claim for compensation. Clear short-term files within two months but hold the remainder for four years plus another six years in storage.
- Microfiche all dead storage files.

Implementation will reduce the quantity of file material by an estimated 35% and storage space requirements by about 50%, producing a $3,000 annual saving in office supplies. In addition, staffing will be reduced by four positions for an annual saving of $68,000 so the total benefit will equal $71,000.

108. Accelerate the automation of recordkeeping systems.

Recordkeeping systems are currently being converted to computer. However, the conversion program is only partially funded. As a result, some operations, particularly file management, are still maintained manually. In other areas, duplication of manual and computerized systems exists.

Automation should be continued until all manual operations are programmed. In addition, a policy should be established to abandon manual systems after automation. Implementation will reduce current file management staffing by six positions for a saving of $89,000 annually.

109. Establish a dividend reserve fund.

The State Insurance Fund distributes dividends annually to employers with favorable loss ratios even if the entire plan operates at a loss. During profitable years, money not returned is deposited in the fund. To stabilize performance, a separate reserve should be established for excesses remaining after distribution during profitable years. This would be used to pay employers when overall plan results are negative. Implementation will ensure continued participation of low risk companies.

110. Increase protection for uninsured employees.

Because the State Uninsured Employers' Fund is defunct, individuals who are uninsured and injured are not receiving benefits. Efforts to increase legal compliance have been ineffective because non-paying employers are not cited quickly enough to prevent them from doing business. Furthermore, fines and penalties are insufficent to rebuild the fund.

To diminish risks for uninsured workers, the following measures should be implemented:

- □ Establish a common data base for new employer information gathered by the Unemployment Insurance Division, Department of Revenue, and Workers' Compensation Division.

- □ Enlist aid from the Highway Patrol and local government agencies to alert Workers' Compensation to itinerant businesses like circuses or agricultural harvesters operating within the state.

- □ Develop a procedure to expedite information flow to and from the Workers' Compensation Division.

- □ Enforce the law when proof of insurance cannot be produced and levy penalties promptly. Consider raising fines to help fund compliance efforts.

- □ Supplement fines and penalties with General Fund revenues to provide initial benefits to uninsured injured workers until increased revenues offset the needs.

- □ Charge the Uninsured Employers' Unit in the State Insurance Fund Bureau only for overhead incurred by the uninsured program.

Implementation will enable Workers' Compensation to cover uninsured workers while reducing the number of employers who fail to comply with state laws. The goal is to produce additional income of $275,000 annually from increased premiums, assessments and fines. This will equal the initial $275,000 General Fund allocation needed to pay annual benefits which are not now being paid.

111. Eliminate the use of the National Council of Compensation Insurers' rate modification factors.

Current statutes penalize insurance companies for failure to use rate modification factors published by the National Council of Compensation Insurers (NCCI). However, NCCI processes data slowly, so factors are outdated at publication. Companies must then base insurance premiums on old information while claims are determined on the present day basis. Legislation should be enacted to end mandatory use of NCCI factors and give them advisory status. Implementation will create a fairer market for insurance operations.

112. Improve field inspectors' earning potential.

An inability to properly staff field inspector positions has prevented the Safety and Health Bureau from performing all required mine, boiler and crane inspections. Since the private sector pays more for comparable experience and travel is excessive, there are few applicants and the turnover rate is high.

To make earnings more competitive, the classification rating for field inspectors should be reevaluated. A program placing trainees under journeymen inspectors should also be considered. Private industry should be contacted to provide urgently needed inspectors until staffing problems are resolved. Costs of $22,000 per year will be required to implement a two-step reclassification for five existing inspectors.

Job Service and Training Division

This division delivers federal job procurement and training programs throughout the state. It is the product of a recent combination of the former Job Service Division with the Employment and Training Division. The administrator of the Job Service Division now supervises a combined work force of 415 positions. The fiscal 1982 federally funded budget for two divisions totalled $25.6-million. Since this reorganization was incomplete at the time of this study, the two former divisions are discussed separately.

Job Service supervises 26 local placement offices where applicants are interviewed, employment requests and unemployment insurance claims processed, and federal programs administered. Two field supervisors serve as liaisons between the state and local offices, while two bureaus oversee operations. The Program Bureau assures local compliance with federal regulations. The Job Service Bureau oversees local implementation of the Employment Security Automated Reporting System, Native American Talent Bank, plus teacher placement, counseling, and employer services. The Job Service Division also manages veterans' affairs.

Employment and Training administers the Comprehensive Employment and Training Act (CETA) in Montana and is organized into three bureaus. Two administer the Job Training and Youth Employment Programs respectively, while the Fiscal Bureau provides common accounting and reporting services. Additional staff positions include a compliance officer who performs program audits plus a program analyst and half-time programmer for developing special reports. The Governor's Employment and Training Advisory Council sets goals and oversees activities.

The Job Service and Training Division is in an unsettled condition pending completion of the merger of internal operations. Previously, poor communication between Job Service and the local office network hampered efficiency. The teacher placement program was seldom used. Also, an unnecessary expansion plan had been authorized. CETA grants were well managed, with subgrant operators allowed considerable latitude in designing their own programs. Nevertheless, manual recordkeeping systems were creating unnecessary duplication and overstaffing was evident.

Recommendations

113. Cancel the Job Service's Bozeman construction plan.

Funding has been authorized and land acquired to construct an office building in Bozeman. However, reevaluation indicates the proposed facility is not needed. To avoid further unnecessary expense, the construction plan should be canceled, then the land reappraised and sold. Implementation will eliminate the need for $743,000 of earmarked bond funds but this is not claimed. The land sale will generate an estimated $186,000 in one-time income.

114. Improve communication and decision making in the Job Service and Training Division.

Poor communication exists between division and local offices. While the division is being reorganized with a new administrator, no provision has been made to improve information channels. To enhance operations, the new administrator should have formal training in decision-making and communication skills. Furthermore, similar training should be provided to other staff members.

115. Improve placement data collection.

Federal funding is based on placement statistics. Placement success data are currently compiled by local offices through voluntary reporting, with phone calls made to applicants and employers when time is available. Estimates suggest 10% to 20% are never reported.

Since quarterly payroll forms show both employer and employee social security numbers, this information could be used to identify successful placements. The project to install data processing terminals in local offices should include programming to retrieve required information. Implementation will result in a 10% increase in successful placement statistics, generating additional federal income of $138,000 annually.

116. Eliminate the teacher placement program in the Job Service and Training Division.

The teacher placement program was initiated to help smaller school districts locate qualified educators. However, only 10% of the vacancies were filled through the division in 1981. This, plus the current teacher surplus, indicates the program should be eliminated at the state level while local offices should manage referrals and requests. Implementation will eliminate one position for an annual saving of $21,000.

117. Reorganize employment and training activities.

Cutbacks in federally funded CETA programs have made existing administrative staff levels unnecessary. To consolidate functions, the following steps should be taken:

- □ Combine functions of the Job Training and Youth Employment Programs into one unit, eliminating one bureau chief and four full- and one part-time employment and training specialist positions.
- □ Remove one accountant position from the Fiscal Bureau.
- □ Eliminate one of the deputy administrator's administrative assistant positions.

Implementation will reduce current staff levels by some seven positions, freeing $187,000 in federal funds annually for use in program operations.

118. Automate fiscal recordkeeping systems.

Time-consuming manual recordkeeping systems result in numerous duplicate entries. To increase productivity, they should be automated. The Job Service and Training Division currently operates the State Employment Security Accounting System (SESA), a federal software package designated to help states comply with mandatory cost accounting and reporting requirements.

Because it includes provisions for CETA programs, the SESA system could provide the foundation for a fully automated fiscal recordkeeping system. Custom-designed software will be necessary to supplement SESA's capabilities, but a new system should offer essential fiscal information for reports on CETA programs without referring to manually maintained records. The minimal implementation cost will increase reporting speed and accuracy.

119. Improve management control over information systems.

The program analyst and half-time programmer operate with little direct supervision because management is unfamiliar with information systems. Consequently, the division does not receive maximum benefit from automated recordkeeping and reporting methods.

To increase accountability, a basic data processing applications training course should be conducted by the computer staff for other personnel. Also, the analyst should be required to submit regular reports detailing scheduled information processing runs, together with actual time and costs; the status of new projects with estimated and actual man-hours expended; and an explanation of any problems encountered. Finally, a manual of operating instructions for existing programs should be prepared, and a request procedure developed so users can become involved in planning. Implementation will fully integrate information system activities, ensuring maximum benefits while restoring management control.

Department of Military Affairs

Fiscal 1982 Budget: $2.2-million, including $1.1-million in federal funds.
Positions Authorized: 55.
Positions Filled: 55.
Chief Operating Officer: Adjutant General.
Reporting Structure: The Adjutant General reports directly to the Governor and directs three divisions.

The National Guard, Disaster and Emergency Services, and Centralized Services Divisions operate within the Department of Military Affairs. The National Guard Division trains and equips army and air force units for state or national emergency service. Operating with a fiscal 1982 appropriation of $1.6-million, including $717,000 in federal funds, National Guard's staff of 30 works directly with 3,488 guardsmen and the federal National Guard Bureau. Training sites are 100% federally supported.

Armories and other facilities are built on a 75% federal, 25% state cost basis, then supported by the state. The Disaster and Emergency Services Division develops plans for operations in the event of natural disaster or enemy attack. With a staff of five, the Centralized Services Division provides administrative support to both operating divisions.

This department is run efficiently and the hard-working staff fulfills its mission. Some economies are possible in staffing. In addition, inadequate maintenance has caused deterioration at several National Guard armories. Plans for four new facilities should be reviewed carefully, with leasing options considered.

Recommendations

120. Eliminate the Assistant Adjutant General/Deputy Director's position.

In practice, the Adjutant General exercises direct control over staff functions assigned to the Assistant Adjutant General. Most of the assistant's remaining duties are performed by the Administrator, Centralized Services Division. Since the assistant's position had been vacant for three years without any negative effect, it should be abolished and the duties officially reassigned to other officers. This action will increase morale and reduce state appropriations by $37,000 annually.

121. Improve the repair and maintenance program.

The present maintenance program for National Guard armories concentrates on emergency repairs because of funding limitations. The Army National Guard needs $123,000 immediately to rebuild roof systems creating unsafe working conditions at three armories. This represents almost $100,000 more than would be required if the roofs had been maintained properly. The 1982 funding for maintenance of all armories was $78,000.

Early action to rebuild roof systems should help avert $300,000 of potential damage to structural beams. In addition, the Architecture and Engineering Division of the Department of Administration should inspect all facilities to develop a preventive maintenance program for future use. Adopting a program geared to prevention will avoid further expensive deterioration and extend the useful life of facilities.

The large sums called for during the first few years will diminish, producing a 10-year average cost of approximately $89,000 annually. However, lack of action will compound problems, reducing the useful facility life from 40 to only 15 or 20 years.

122. Develop an energy conservation program.

Little energy-related maintenance is done at the armories. An active program of energy conservation should be implemented. Measures such as lowering thermostats and turning off lights promptly will reduce the $200,000 utility costs by 10% or $20,000 annually.

123. Increase rental income from armories.

The National Guard maintains 22 armories which are typically used only one weekend per month for training. The current rental program for nonuse periods provides approximately $9,000 annual income. However, rental rates have not been reevaluated for some years and no clear rental policy exists. Utility and maintenance costs average more than $280,000 annually.

To maximize use and generate more income, an aggressive rental program should be developed based on a rate schedule established for each armory. This will increase income by an estimated $50,000 annually.

124. Reduce armory costs through leasing.

Costs to support National Guard armories are excessive. These average approximately $12,700 annually for each state-supported facility. However, four armories leased from the private sector on a two-day per month basis cost only $3,700 each year. In addition to the 22 now used, the guard plans to build four new conveniently located facilities to encourage enlistments.

Since leasing private facilities is considerably cheaper, the Adjutant General should close armories whenever satisfactory facilities can be obtained on this basis. Each closing will save Montana approximately $9,000 annually. Leasing also should be considered as an alternative for the four new armories. Since armories built with both state and federal funds become state property after 25 years, eight are now state-owned and an additional 11 will be transferred between 1983 and 1990. Each could be sold, then replaced with a leased facility. However, no benefits are claimed at this time.

Governor's Council on Management

Human Resources

Department of Social and Rehabilitation Services

Fiscal 1982 Budget: $177-million, including $116-million in federal funds.
Positions Authorized: 1,087.
Positions Filled: 1,087.
Chief Operating Officer: Director.
Reporting Structure: The director reports to the Governor and supervises four offices plus eight divisions.

Service programs provided by this department range from distributing food stamps to training autistic children. The emphasis is on encouraging self-sufficiency while providing assistance to those who cannot function independently. The director oversees four offices including Administration plus Program and Planning, each supervised by a deputy director. The former manages personnel, payroll and labor negotiations while the latter plans and coordinates child service grants. An Office of Legal Affairs handles Medicaid and welfare recipient appeals as well as adoptions and child custody cases. The Office of Fair Hearings resolves welfare eligibility disputes.

Seven divisions also report to the director. Two of these — Community Services and Developmental Disabilities — are discussed in subsequent report sections. The remainder include:

- Audit and Program Compliance - Operates bureaus to conduct federally required audits, investigate and recover public assistance overpayments, and review eligibility determinations.

- Centralized Services - Provides support through bureaus specializing in data processing, fiscal management, central office services, and statistical sampling and research.

- Veterans Affairs - Serves as a liaison between Montana's 100,000 veterans and the U. S. Veterans Administration through eight field offices.

- Economic Assistance - Determines recipient eligibility and supervises administration of state and federal economic assistance programs through the county welfare office network. Separate bureaus concentrate efforts on Medicaid reimbursement, food stamps, energy and weatherization assistance plus food distribution.

- Rehabilitative Services - Offers programs designed to restore the handicapped to gainful employment. It also administers Social Security disability benefits and other federal assistance programs.

- Visual Services - Trains and equips the visually handicapped for employment. This division has the same administrator as Rehabilitative Services.

The department's dedicated staff is attempting to correct several deficiencies. However, the complex reporting structure fragments supervision and limits program coordination. Additional data processing improvements are needed. Also, potential federal sanctions could be brought in response to a high error rate in determining program eligibility. In addition, the Veterans Affairs Division duplicates services provided by other public and private organizations.

Recommendations

125. Reorganize the Department of Social and Rehabilitation Services.

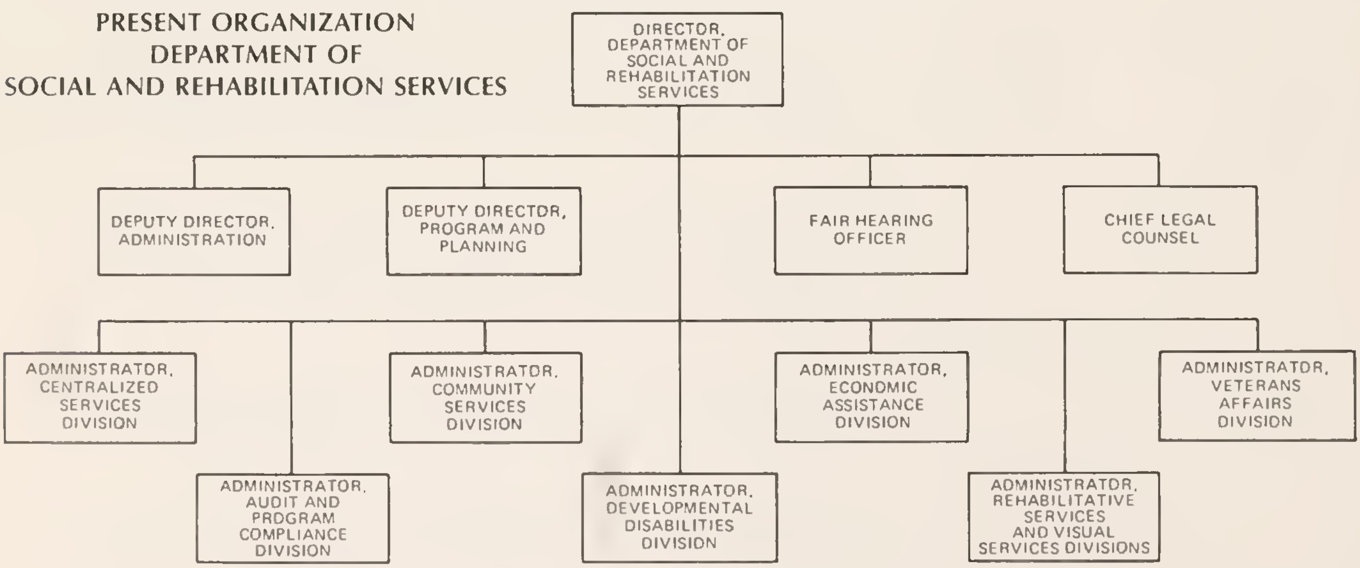
The Director's span of control is too broad for effective management. The current structure, shown directly below, has 11 positions reporting to the Director. These include Deputy Directors for Administration and Program and Planning, a Fair Hearings Officer, Chief Legal Counsel, plus the Administrators for the Centralized Services, Audit and Program Compliance, Community Services, Developmental Disabilities, Economic Assistance, Rehabilitative and Visual Services, and Veterans Affairs Divisions. Thus, the Director becomes involved in excessive administrative detail while planning time is very limited.

To simplify the organization, operations and support functions should be consolidated. In the proposed structure, which is depicted to the right, only four subordinates report to the Director. To accomplish this, the following changes would be required:

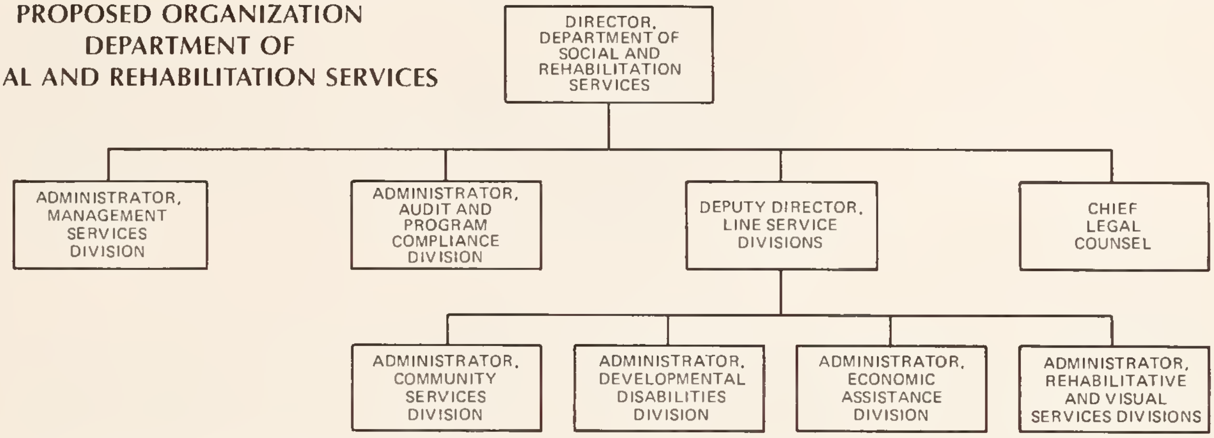
- ☐ Deputy Directors of Administration and Program and Planning should both be eliminated. Their personnel, budget, training and planning functions would be transferred to the Centralized Services Division which would be retitled the Management Services Division.

- ☐ The Fair Hearings Officer should be transferred to the Department of Revenue while the Administrator, Audit and Program Compliance Division and the Chief Legal Counsel would continue to report to the Director.

**PRESENT ORGANIZATION
DEPARTMENT OF
SOCIAL AND REHABILITATION SERVICES**



PROPOSED ORGANIZATION DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES



- □ Administrators for Community Services, Developmental Disabilities, Economic Assistance,and Rehabilitative and Visual Services Divisions would report to a new Deputy Director, Line Service Divisions.

- □ The Veterans Affairs Division, as proposed elsewhere, would be eliminated.

No financial benefits are claimed. However, implementation will increase administrative capabilities and provide the management direction needed to ensure cost effective and efficient service delivery in this large, diverse department.

126. Participate in developing a statewide data processing plan.

The Data Processing Bureau in the Centralized Services Division has developed criteria for a long range departmental data processing plan. However, data base concepts have only been developed to meet departmental needs. The same information would be valuable to other state agencies but no integrated data processing plan exists.

A recommendation elsewhere in this report calls for developing a statewide plan. The department's Data Processing Bureau should contribute to achieving this goal by helping the Computer Services Division establish overall implementation policies and procedures. Its participation will significantly improve the statewide planning process and reduce development time.

127. Substitute on-line for key entry procedures.

The department has an efficient central data entry unit which processes information from various divisions and bureaus. However, this procedure results in error correction delays and additional paperwork because information passes through two departments.

To streamline operations, a new system should be developed using online data entry at the originating agency while existing data entry facilities would be phased out over a five-year period. Implementation of this recommendation will eliminate four positions, producing an annual saving of approximately $60,000.

128. Increase use of central word processing.

The central word processing unit is efficient and cost effective. However, some bureaus continue to use secretaries to type various documents. To increase productivity, a program should be initiated to identify the needs in each bureau and establish a plan to utilize central word processing to fill those needs. Implementation will require two additional work stations for a one-time equipment cost of $30,000 and annual cost of $29,000 for operators. However, three secretarial positions would be eliminated for an annual saving of $51,000.

129. Develop managerial and technical training programs.

Departmental training programs are inadequate because they have not been viewed as an important element in increasing productivity. As a result, many department personnel are untrained. Also, no personnel training records exist so performance or eligibility for promotion to management positions is difficult to evaluate.

A separate recommendation specificallv addresses the training needs of eligibility technicians. However, a department-wide training program should be developed and funded. A statewide recording procedure should also be established to enable verification of course completions. Implementation will improve morale while increasing accountability and efficiency.

130. Reduce eligibility determination error rates.

Inaccurate determinations of eligibility in food stamp, Medicaid, and Aid for Dependent Children programs have resulted in potential federal sanctions against Montana that total $6.3-million. Furthermore, Montana's Medicaid error rate is the highest in the United States. This is the result of several operational deficiencies. For example, county welfare office eligibility technicians are poorly trained while personnel selection qualifications are not demanding. Also, salaries are too low to attract experienced, skilled applicants. Furthermore, eligibility manuals are too complex.

To avoid further loss of revenue, an extensive training program should be instituted for eligibility technicians. This should include separate phases for classroom study, observation, on-the-job training and continuing education. A training coordinator should be hired to administer the program. In addition, eligibility technicians should be required to hold college degrees in behavioral science and salaries should be increased accordingly.

Implementation will ensure a qualified and well trained staff. The annual program cost will be approximately $60,000. However, it is conservatively estimated that reduced eligibility errors will produce an annual saving of $805,000 in state and $1.5-million in federal funds.

131. Provide clear field directives.

County directors and field service staffs are confused by conflicting rules and directives received from various divisions. This can result in ineligible persons receiving payments. Since the documents in question are created on central word processing equipment, the Office of Program and Planning should catalog rules and regulations by topic. A common set of instructions should also be created to accompany new or revised information. To accomplish these tasks, two additional employees will be required for an annual cost of $51,000. However, clear directions from a common source should reduce misunderstandings and improve eligibility determination program performance by 2% for an annual saving of approximately $86,000.

132. Expand the third party review program.

Medicaid recipients often have other insurance which covers medical costs. If this is not reported, overpayments result. The investigator in the Audit and Program Compliance Division's review group recovers approximately $1-million in third party payments annually. Therefore, two additional investigators should be hired. While the annual cost will be about $43,000, each investigator should recover at least $500,000 annually for a total saving of $350,000 in state and $650,000 in federal funds.

133. Evaluate Medicaid claim processing contractor performance.

The cost for contracted Medicaid claim processing services has escalated rapidly. Also, operational problems developed when the contractor failed to implement required reporting procedures in 1982. Therefore, less expensive alternate processing methods should be actively explored and the current contract voided. Penalties for non-performance should also be pursued. While no saving is claimed, implementation will increase accountability and reduce costs.

134. Abolish the Veterans Affairs Division.

The sole function of this division and its eight field offices is to act as a liaison between the federal government and veterans or their dependents when claims are processed. This is unnecessary because it duplicates services offered by the Veterans Administration as well as the American Legion, Disabled American Veterans, and the Veterans of Foreign Wars.

The division should be abolished since claimants could file directly with the federal government. Implementation will eliminate over 20 full-time positions, plus operational expenses, for an annual saving of $443,000.

135. Close three Rehabilitative Services Division district offices.

Three of the 13 Rehabilitative Services Division's district field offices operate with less than half the average work load. These offices, located at Lewistown, Warm Springs and Deer Lodge, should be closed. Warm Springs and Deer Lodge cases could be transferred to Butte while Lewistown cases would be covered two days per week with personnel from Billings. Implementation will increase efficiency while producing an annual state saving of $19,000 and a federal saving of $77,000.

136. Provide Indian reservation counseling on a half-time basis.

The Rehabilitative Services Division established four offices on Indian reservations so assistance would be readily available. Since they are staffed by counselor aides, actual counseling is conducted in the district field office. The aides' average of 500 contacts per year does not justify full-time employment. Therefore, they should be reduced to half-time for an annual saving of $4,000 in state funds plus $19,000 in federal funds.

Community Services Division

This division provides direct and contracted services to maintain family unity, assist the aged, and protect child welfare. The $17-million fiscal 1982 budget, which included $10.9-million in federal funds, supported 384 employees. The division administrator supervises two assistant administrators who coordinate local level programs through a western and eastern district office network.

A budget officer and three bureaus also report to the administrator. The Management Operations Bureau develops programs, policies and objectives. The Budget and Contracts Bureau negotiates child welfare service contracts, manages funding for seven regional Area Agencies on Aging, allocates all grants, and develops contract procedures. The Evaluation Bureau establishes and reviews service performance.

Reorganization has improved cost effectiveness. However, service delivery is inconsistent because of divided responsibilities. State programs are directed and administered at the county level. Also, aging services are duplicated at four levels.

Recommendations

137. Strengthen state control over county offices.

The current service delivery system creates confusion and hinders communication. Since county employees receive direction from both the Community Services Division and local boards, state directives are sometimes disregarded and programs are interpreted independently. However, the state is held responsible for all actions under federal contracts.

To strengthen operations, the 11 Community Services Division district offices should be reorganized into five regional ones. Supervisors would have the authority to direct county operations while serving as liaisons between county directors and the Community Services and Economic Assistance Divisions.

Implementation would clearly establish the state's authority to staff all levels, perform evaluations, and ensure uniform program interpretations. Five district supervisors will be required to fill regional positions, increasing the annual state cost by $54,000 and the annual federal cost by $125,000. However, eight other positions will be eliminated by closing six offices, for an annual saving of $87,000 in state and $202,000 in federal funds.

138. Strengthen county welfare director requirements.

There are no standard qualifications or comprehensive training for the position of county welfare director. These deficiencies hinder performance and encourage inconsistent local operations.

To ensure well qualified personnel and program uniformity, prospective county welfare directors should have a bachelor's degree in behavioral science, five years experience with social service systems, and two years administrative experience. A management training program should also be established. As a part of this, directors would spend one month in division offices learning fundamentals and one month with proposed regional supervisors comparing county programs. Implementation will cost approximately $5,000 annually, of which $3,000 is federal funds. However, improved service delivery will be achieved.

139. Abolish the Area Agencies on Aging.

Services for Montana's elderly are administered on four levels: a Regional Administration on Aging, the Community Services Division, seven Area Agencies on Aging, and designated service providers. The area agencies duplicate the planning, reporting and program development activities conducted by the Community Services Division and, therefore, inflate operating costs.

To reduce costs while improving services, the Area Agencies on Aging should be eliminated. The division could then produce a comprehensive plan for the elderly and directly fund county or Indian reservation programs. Implementation will result in improved supervision and better coordinated program coverage. The annual saving will be about $161,000 in state and $298,000 in federal funds.

Developmental Disabilities Division

Montana's developmentally disabled citizens, including the mentally retarded, autistic, epileptic, and victims of cerebral palsy or other neurological conditions, are served by this division. Since 1975, qualified individuals have been placed in state funded community-based programs operated by some 50 non-profit corporations. Programs serve approximately 1,600 but only 226 are institutionalized.

The division's fiscal 1982 budget of $12.5-million included $4.3-million in federal funds. The administrator oversees 38 employees staffing an administrative office and two bureaus. The Planning, Assistance and Management Bureau performs planning and contract management while operating a Training Information Resource Center for state and private employees. The Regional Services Bureau operates five offices that offer direct services and ensure local contractor compliance. In addition, a 22-member State Developmental Disabilities Planning and Advisory Council aids in program planning and awarding of grants.

Contractual conflicts have arisen between this division and local service providers while a lack of fiscal control is also evident. In addition, no program has been developed to collect private payments for services.

Recommendations

140. Restructure the State Developmental Disabilities Planning and Advisory Council.

The council advises the Department of Social and Rehabilitation Services, Department of Institutions, Department of Health and Environmental Sciences, and Office of Public Instruction on program planning. The 22-member group is too large to ensure effective leadership. Most of its work is devoted to awarding grants, but operating expenses account for more than one-third the current budget.

To streamline operations, the size of the council should be reduced. Furthermore, separate staffing should be eliminated and assistance provided by the Developmental Disabilities Division. Implementation will create a smaller, more effective council while increasing the funds available to improve services for the disabled.

141. Increase fiscal control over private contractors.

Existing contracts reimburse service providers within a general framework of state rules and regulations rather than for specific services. Expenses do not have to be documented so there are few incentives to reduce costs. Attempts to increase fiscal control have resulted in a contractual dispute with the Association for Independent Deliverers of Service.

To control costs and resolve disagreements, the state should negotiate service contracts which identify specific services provided and allowable costs. Definitions should identify proper food, clothing, shelter, training and recreational needs that correspond to different developmental disabilities. Exceptions would be granted only when a provider could document an unrealistic basis for assumptions.

Implementation will increase financial responsibility while allowing both parties to understand exact contractual terms. Increased efficiency will reduce expenditures by 10%, for an annual saving of $590,000 in state and $394,000 in federal funds.

142. Charge for services based on ability to pay.

Currently, the state pays all expenses for qualified disabled citizens. However, increased costs coupled with federal cutbacks could result in service reductions. To avoid this possibility, the state should adopt a collection program based on the parents', guardian's, estate's, or individual's ability to pay. Implementation will reduce the taxpayer's burden by producing additional annual income of approximately $1.1-million.

Department of Institutions

Fiscal 1982 Budget: $62.4-million, including $3.6-million in federal funds.
Positions Authorized: 1,907.
Positions Filled: 1,896.
Chief Operating Officer: Director.
Reporting Structure: The director reports to the Governor and supervises four divisions.

The Department of Institutions administers Montana's correctional facilities and rehabilitation services. The department also manages health and residential services for the mentally ill, developmentally disabled and the aged as well as alcohol and drug abuse programs. The director has an office staff of seven and supervises four divisions: Management Services, Corrections, Alcohol and Drug Abuse, and Mental Health and Residential Services. Separate report sections are devoted to each division.

A dedicated staff performs a wide variety of duties. However, conflicts arise from combining health and correctional facilities in one department. In addition, many institutional buildings are in disrepair, land is used inefficiently, and programs are not well coordinated.

Recommendations

143. Convert the Department of Institutions into a Department of Corrections.

Both the Alcohol and Drug Abuse Division and the Mental Health and Residential Services Division perform health-related activities while the remainder of the department is involved in corrections and rehabilitation. Therefore, the former two divisions should be transferred to the Department of Health and Environmental Sciences. To properly align agencies with similar services, the Department of Institutions should be renamed Department of Corrections and administrative titles adjusted.

144. Evaluate the usefulness of unoccupied institutional buildings.

Various institutional campuses have deteriorating, unoccupied buildings. These are unsightly and potentially hazardous. Therefore, the state architect and a special legislative committee should inspect and evaluate each. Repairable structures could then be remodeled to meet expansion needs while the remainder could be demolished.

145. Analyze land use requirements.

The department administers over 110,000 acres of inefficiently used property. The Department of State Lands should conduct a study to determine its most appropriate use. Implementation will provide information for future planning while identifying surplus land that could be sold or used for income-producing activities.

146. Hire a nutritionist as food service coordinator.

Ten food service operations at various institutions function without coordinated planning, purchasing or training. Lack of communication results in duplicate efforts and increased costs. Furthermore, six facilities require the services of a nutritionist for therapeutic diet planning.

An experienced nutritionist with a bachelor's degree in dietetics or food service management should be hired to serve as department coordinator of nutrition and food services. The new position will cost $33,000 annually, but savings will result from uniform purchasing procedures, standardized menus, shared training programs and reduced inventories.

147. Terminate the free employee meal policy.

Institutional employees are provided a free meal during a half-hour break in each eight-hour shift. This costly and time-consuming benefit should be eliminated. Shifts should be scheduled for eight and one-half hours, so the half-hour meal does not occur during paid time. Also, average meal costs should be deducted from employee earnings. Implementation will save an estimated $469,000 annually.

Management Services Division

This division provides department-wide fiscal control and reporting services as well as secretarial, personnel, and data processing support. The staff also processes insurance claims for reimbursement of institutional resident medical and rehabilitation service costs. The fiscal 1982 budget of $943,000 included $131,000 in federal funds. It supported an authorized staff of 39 with four vacancies. The administrator supervises three budget analysts, a personnel staff and two bureaus. The Information Services Bureau develops automated systems. The Administrative Services Bureau has three sections: Accounting, Reimbursement and Field Investigation, and Reimbursement Control.

The division has been successful in installing adequate financial controls. Nevertheless, data processing systems for accounting and billing require manual information retrieval. Field investigations are costly and the large vehicle fleet is poorly managed.

Recommendations

148. Develop an integrated patient accounting and billing system.

Current accounting and billing procedures are time consuming and inaccurate. Data must be retrieved manually from four distinct systems. To increase accuracy and simplify processing, an integrated patient accounting and billing system should be developed. Medicare/Medicaid eligibility should be included for automatic identification. One-time development and programming costs are estimated at $50,000. However, implementation will reduce current staffing by four positions for an annual saving of $58,000.

149. Eliminate the Reimbursement and Field Investigation Section.

Two different methods are employed to get the information required for reimbursement control. Although the Reimbursement and Field Investigation Section of the Administrative Services Bureau is responsible for this activity, three institutions have investigative units with a staff of 22. Since institutional control is more efficient, the section should be eliminated and the following measures implemented:

- Assign investigative control to the business office at each state institution.

- Reassign separate investigative units at Boulder River School and Hospital, Warm Springs State Hospital, and Galen State Hospital to the respective business office at each institution.

- Hire a private investigative service when supplementary reports are required.

Implementation of this recommendation will strengthen control, use existing personnel more efficiently, as well as eliminate four field investigators and one section supervisor. The annual saving to be attained is estimated at $117,000 while retaining private investigations will cost approximately $84,000 annually.

Corrections Division

The division administers corrections programs for adults and juveniles, providing care and custody as well as developmental and rehabilitative services. The $19.1-million fiscal 1982 budget included $957,000 in federal funds and supported a staff of 499. An administrator supervises two bureaus — Community Corrections and Corrections Support — as well as four institutions:

- Montana State Prison in Deer Lodge was designed for 515 adult male inmates but now houses 724. The prison provides high school equivalency, vocational education, recreation and work programs. It operates a 40,000 acre ranch, feedlot, slaughterhouse and packing plant as well as a Prison Industries and license plate plant. The warden supervises 73 administrative personnel, 44 service employees and 147 security guards.

- Swan River Youth Forest Camp outside Swan Lake is a minimum security work camp for 50 first time offenders between the ages of 18 and 25. Inmates are transferred here prior to release. The camp conducts forestry management projects in cooperation with the Department of State Lands' Forestry Division. Counseling and educational programs are provided as well. The superintendent directs a staff of 26.

- Pine Hills School in Miles City houses juvenile male offenders under 18 years of age in five lodges on a 48 acre central campus. It also controls an additional 69,000 acres — most located in non-adjacent counties. The superintendent has a staff of 123 who provide care, custody and developmental services.

- Mountain View School near Helena is a residential living facility. Equipped for 86 juvenile female offenders, it currently houses 35 in three cottages. A staff of 47, including the superintendent, provides administrative and custodial services.

Overcrowding at Montana State Prison is creating problems, including poor employee morale and inmate unrest. The prison ranch has not been managed effectively in the past, resulting in poor use of land, buildings and equipment. Also, food service deficiencies were observed at all facilities. Pine Hills and Mountain View Schools provide duplicate services.

Recommendations

150. Relieve overcrowding at Montana State Prison.

The state prison houses 200 prisoners more than its rated capacity. The maximum security unit has 46 cells but 30 are occupied by permanently assigned inmates. Thus, little space is available to isolate troublemakers. Overcrowding is creating operating problems, low employee morale, and prisoner unrest. To reduce the population and properly secure the prison, the following measures should be considered:

- Reassign 90 minimum security inmates to the Mountain View School. To accomplish this, another recommendation suggests transferring juvenile girls housed at Mountain View to a new dormitory at Pine Hills School. When implemented, Mountain View facilities will be vacant and available for this purpose. A halfway house for approximately 30 more inmates should also be established at this location.

- Implement the Department of Institutions' recommendation to relocate 32 minimum security prisoners who work on the prison ranch into a remodeled dairy barn at that facility.
- Open a halfway house in Great Falls with a 25-inmate capacity.
- Remodel an area at Montana State Prison to house additional maximum security prisoners.
- Consider utilizing Boulder River School to house minimum and medium security prisoners as suggested elsewhere.

Implementation will relieve overcrowding while providing sufficient maximum security space. While extensive costs may be involved, it has not been possible to determine a realistic estimate.

151. Close Mountain View School.

Mountain View School provides the same services for female juvenile offenders that Pine Hills School provides for males. Separate campuses duplicate all operating expenses when only separate housing is required. Therefore, a new dormitory should be constructed at Pine Hills for females. Mountain View School should then be closed, or the campus made available for conversion to relieve prison overcrowding as recommended elsewhere. The one-time cost for a new building is $400,000. However, implementation of this proposal will produce an annual saving of $735,000.

152. Upgrade the prison food service manager's position.

Improvements are currently needed to modernize food service equipment, enforce sanitation and safety regulations, improve training, and introduce a dietician-approved cycle menu. These activities require a manager with significant experience, knowledge and leadership skills. However, the current salary is too low to attract qualified candidates. Therefore, the position should be reviewed and upgraded to ensure strong leadership. Implementation will cost $5,000 annually.

153. Reduce the number of prison food service supervisors.

The excessive number of food service supervisors assigned to the kitchen creates disorder and hampers efficient workflow. Also, one is stationed on the inmate serving line to reduce peer pressure for larger portions.

To simplify operations and increase productivity, the current assignment schedule should be revised so an equal but reduced number of supervisors report daily. Furthermore, a security guard should be trained to identify proper portions, then stationed at the serving line to replace the supervisor. Implementation will eliminate four full and one part-time positions for an annual saving of $89,000.

154. Standardize prison food preparation.

Prison food quality is inconsistent because the food service staff does not use recipes. Since ingredients and measurements are estimated, results vary, food is wasted, and inventory is difficult to control.

To eliminate guesswork, standardized recipes should be adopted. An ingredient room should then be established where a food service supervisor could place required ingredients for each menu on a cart. Refrigerated items would be added shortly before delivery to the main kitchen. While no saving is claimed, implementation will ensure consistent quality, increase menu control, reduce waste, and improve planning.

155. Expand the prison vocational-technical food program services.

The prison offers a vocational-technical food training program that is not integrated with food service operations. Inmates prepare food in the main kitchen under the direction of supervisors while vocational-technical students prepare the same menu for the staff in a separate kitchen. This practice limits student cooking experience. In addition, some staff members are discontent with the basic menu and would like more variety.

To increase their proficiency, vocational-technical students should be scheduled to work alternately in the main and staff kitchens. Also, a fast food menu should be added. Implementation will provide better inmate training while increasing employee morale.

156. Modernize prison ranch operations.

A major portion of the 40,000 acre prison ranch is unused. Also, fences, buildings, equipment and the land itself have deteriorated because of poor management and lack of attention.

To convert the prison ranch into an efficient, modern operation, the surface rights to 25,000 unused acres should be sold. Proceeds should then be dedicated to upgrading remaining land, buildings and equipment. Production should be diversified to include poultry and potatoes in addition to beef and dairy operations. Feeder cattle should be purchased at local markets to strengthen the feedlot program. While the one-time cost of ranch improvements will be approximately $3-million, the land sale will raise an estimated one-time income of $7.5-million.

157. Eliminate the prison auto shop.

The quality of maintenance work performed at the prison auto shop is inferior because the facility does not have professional management. To increase productivity, the auto shop should be eliminated and work reassigned to the ranch machine shop. One mechanic and assigned inmates will be transferred, while the manager and assistant mechanic positions will be eliminated for an annual saving of $28,000.

158. Redefine the role of Swan River's food service manager.

In addition to food service operations, this position is responsible for the camp's warehouse, inventory and canteen plus weekly trips to purchase produce. As a result of such diverse responsibilities, little time is available for kitchen staff supervision.

To improve food service efficiency, a food service manager should be hired to supervise kitchen operations. The current manager should assume the non-food related responsibilities while produce deliveries should be arranged to reduce travel. Implementation will ensure proper guidance at an annual cost of $17,000.

159. Purchase food service equipment required at Swan River.

Two pieces of food service equipment should be replaced to improve efficiency at the youth camp. These are a dishwasher and a stove with built-in oven. For the one-time estimated cost of $22,000, more sanitary utensils and consistently hot meals will result.

160. Purchase an office computer for the Pine Hills School.

The school's accounting and reporting procedures require time-consuming manual operations. A request for a terminal to access the state computer was denied. Therefore, a small office computer should be purchased for an estimated one-time cost of $6,000. Reduced clerical time will eliminate one stock clerk position for an annual saving of $16,000.

161. Sell the Pine Hills School's employee housing units.

Four houses on the Pine Hills campus are rented to employees for a minimal monthly charge. These facilities are old so repairs, maintenance and utilities are expensive while rentals fees fail to recover costs. Furthermore, employee housing is not necessary because adequate lodging is available in Miles City. Therefore, a distress sale should be held to have the homes removed from the campus. Sale proceeds should be used to restore the sites while reduced operating expenses will save $6,000 annually.

162. Hire a part-time dietician at the Pine Hills School.

Menus at Pine Hills do not meet the nutritional requirements of juvenile residents. Therefore, a registered dietician should be employed one day per month to consult on dietary needs. Implementation will improve food service operations for an annual cost of $1,000.

163. Establish a cafeteria-style food service at the Pine Hills School.

Currently, food is prepared at a central kitchen but delivered to five separate cottages for serving. This creates several problems. Quality and temperature cannot be maintained because food is held for long periods before delivery. Also, portion control is impossible because cottage personnel supervise distribution and leftovers are not returned. To correct these deficiencies, food should be served centrally in the main cafeteria where tables are available. Implementation will enable more efficient planning, improve food quality, and allow the staff to use leftovers.

Alcohol and Drug Abuse Division

The division treats alcohol and drug dependence with a staff of 24 plus two vacancies. Its $3.6-million fiscal 1982 budget included $829,000 in federal funds. Alcohol program funding is derived from earmarked alcohol revenues and distributed to counties while drug programs are state and federally supported. There are 31 approved alcohol treatment centers as well as seven contract and three state operated drug clinics. The 10-member Montana Alcohol and Drug Abuse Advisory Council consults with the administrator.

Division operations are assigned to two bureaus. The Community and Program Development Bureau supervises treatment centers, provides technical assistance, and offers prevention programs. The Reporting and Evaluation Bureau monitors treatment center contracts, conducts on-site evaluations, and formulates an annual plan.

A reorganization transferred this division from the Department of Health and Environmental Sciences. The current structure is fragmented, with similar responsibilities assigned to each bureau. The efficient, knowledgeable staff suffers from lack of direction and long-range planning. In addition, funding procedures are inefficient.

Recommendations

164. Reorganize the division.

A poor organization structure causes duplication of technical assistance and supervisory activities by the two bureaus. Another recommendation suggests returning the division to the Department of Health and Environmental Sciences. However, the following modifications should strengthen internal operations:

- □ Replace the two existing bureaus with three sections: Planning and Information; Evaluation and Program Assistance; and Training and Certification.
- □ Transfer the special services position in the Community and Program Development Bureau to the Transportation Division in the Department of Commerce where it is funded.
- □ Eliminate the prevention program staff member but continue to provide funds to local agencies.
- □ Transfer responsibilities of the direct services manager and administrative aide in the Community and Program Development Bureau to the proposed Evaluation and Program Assistance Section.
- □ Eliminate state-run drug programs in Helena, Butte and Anaconda by shifting services to county programs.

Implementation will streamline and coordinate activities while improving communication. An annual $627,000 reduction in drug program funding, coupled with economies of $58,000 by eliminating two positions, will produce a combined saving of $685,000.

165. Change the treatment center funding process.

The present funding formula has built-in inequities. For example, a county with a high abuse incidence may not receive adequate money because the formula is based on population density. Also, seven counties now have two programs since the number of centers per county is not restricted. In addition, the funding system provides no incentive to collect third party and individual payments. As a final point, efficiency is reduced because six clinics are devoted exclusively to drug dependence.

The following modifications should be initiated to improve allocation of funds and service delivery:

- ☐ Change the current funding procedure. Require counties to prepare biennial budget plans, then base monthly allocations on these projections. A discretionary reserve equal to 10% of the total budget should be established to provide supplementary funds to counties that underestimated needs.

- ☐ Fund one treatment center per county but encourage the use of multi-county centers with satellite offices in sparsely populated areas.

- ☐ Encourage third party or individual payments by requiring each center to raise 25% of its operating budget from these sources.

- ☐ Require all centers to treat both alcohol and drug abuse.

Implementation will eliminate duplication while improving service. Funds raised locally as a result of third party payments should be used to replace the services of the three state-supported drug treatment centers eliminated in the previous recommendation.

Mental Health and Residential Services Division

This division administers residential service facilities for the mentally ill, developmentally disabled and the aged. It assists five regional programs as well. The $38.5-million fiscal 1982 budget included $1.8-million in federal funds. It supported 1,504 staff members. The administrator supervises six institutions:

- ☐ Warm Springs State Hospital - Treats mentally ill patients by providing intensive, extensive, pre-release, long-term, child and forensic care. This facility outside Butte now houses 345 patients on a 356-acre campus. It shares a chief executive officer with nearby Galen State Hospital.

- ☐ Galen State Hospital - Provides medical and drug dependency treatment on a 240 acre campus. Three distinct facilities provide a 218-bed hospital for Warm Springs State Hospital residents; a treatment center offering 30-day inpatient care for up to 88 alcoholics; and a six month, inpatient drug therapy clinic with a maximum capacity of 15.

- ☐ Boulder River School and Hospital - Provides medical and educational services to 226 profoundly retarded residents. The 1,200 acre campus has 63 buildings including a 23-bed acute care hospital.

- □ Montana Veterans Home - Houses 75 and provides nursing care to an additional 40 veterans. Residents of the home, located on 147 acres near Columbia Falls, are charged for services based on their ability to pay.

- □ Eastmont Training Center - Offers instructional and home living skills training to 45 severely mentally retarded residents between the ages of four and 17. Located in Glendive, the center's capacity is 55.

- □ Center for the Aged - Provides skilled nursing care to former Warm Springs State Hospital patients over the age of 60 who cannot return to society. The center, located in Lewistown, has a resident capacity of 199.

These institutions have well qualified staff members. However, deinstitutionalization policies at Warm Springs and Galen State Hospitals have resulted in underutilization and inefficiency. Alcohol and drug rehabilitation programs at these facilities are expensive, food services have duplicate preparation units, and employee housing rates are not equitable. Boulder River School and Hospital is also underutilized, while the Montana Veterans Home is overstaffed and uses only a small portion of campus lands.

Recommendations

166. Centralize food preparation at Warm Springs and Galen State Hospitals.

A program to consolidate food service operations at these hospitals has already been initiated. Since the institutions are only four miles apart, the same menu has been adopted and baked goods and vegetables are centrally prepared at Warm Springs for daily delivery to Galen State. However, separate kitchens continue to prepare additional items.

All food should be prepared at Warm Springs, then transported to Galen State Hospital. This would require several modifications:

- □ Reorganize the Warm Springs staff, adding four employees: a director who is a registered dietician with strong management skills; two additional clinical dieticians; and one food service worker. A current staff member should be appointed food service manager to coordinate operations and two additional employees should serve as the food manager at each facility.

- □ Eliminate the entire 26-member food service staff at Galen State Hospital.

- □ Purchase six hot food carts to transport prepared food as well as an insulated tray system to retain heat.

- □ Schedule two additional round trips to Galen State Hospital daily to deliver food.

Eliminating Galen State's annual food service budget will save $866,000 while food preparation, salary and transportation costs at Warm Springs will rise by $320,000. Thus, the annual net saving will total $546,000. In addition, the one-time cost for equipment will amount to $52,000.

167. Increase the employee housing rates at Warm Springs and Galen State Hospitals.

Employees at these hospitals currently rent 87 of 116 housing units available from the Department of Institutions. Rents are low while discounts are given to employees who are on call, serve as volunteer firemen, or provide special services. While housing was initiated as a pay subsidy, state wages are now comparable with those in private industry. Furthermore, renters have no incentive to conserve energy since the state pays for utility costs.

The following new procedures should be exercised to ensure cost recovery and reduce tensions arising from management's dual role of landlord and employer:

- Monthly rentals should be raised to a minimum level of $75.
- Utilities should be paid by renters, with individual gas and electric meters installed.
- Discretionary rent discounts should be eliminated except for volunteer firemen. "On call" status is considered a condition of employment.
- A housing authority should be established to act as landlord.

Implementation of this recommendation will save approximately $42,000 annually in utility costs. In addition, it will increase rental income by $78,000.

168. Discontinue Galen State Hospital's alcoholism and drug treatment programs.

These centers duplicate other state-supported, widely available services throughout Montana. Some 31 treatment centers are available to alcoholics, including seven that offer inpatient treatment. In addition, 10 drug clinics are in operation. Estimates also indicate both centers operate at a 35% higher cost per patient rate than other state-funded units.

To reduce costs, Galen State Hospital's programs should be cancelled. Other centers can provide services at lower per patient rates. Implementation will free building space for other purposes while saving an estimated $539,000 annually.

169. Close the Boulder River School and Hospital.

By placing functional residents into the community, Boulder River School and Hospital has reduced its population to a small number of the profoundly retarded. As a result, facilities, equipment and staff are underutilized. Also, the campus layout requires extensive resident transportation.

To remedy these problems, the Boulder River School and Hospital should be closed, some residents moved to the community, and the remaining population transferred to Warm Springs and Galen State Hospitals where services will not be reduced. The proposed elimination of alcohol and drug treatment centers will also free sufficient building space for conversion into educational facilities. This one-time cost will be $200,000 while remodeled housing is estimated at $750,000. However, implementation will reduce per patient costs for an annual saving of about $2.4-million. Also, Boulder's acute care hospital, which is on the campus perimeter, should be leased, creating an estimated annual income of $133,000.

170. Change food preparation schedules at Boulder River School and Hospital.

The food service operation at this facility is overstaffed. Shift schedules, which begin too early in the day, hinder communication between employees. As a result, preparation is uncoordinated. In addition, quality is lost because hot food remains in delivery carts too long to retain proper serving temperatures.

To improve food services, the staff should be reduced and a new shift schedule implemented. The replacement schedule would delay the starting time for the breakfast shift as well as provide overlap to encourage communication. This would help establish more timely food preparation and delivery. Implementation will eliminate three cooks for an annual saving of $52,000.

171. Study the feasibility of converting Boulder River School into a minimum/medium security prison.

After the Boulder River School is closed, over 60 campus buildings will be available for alternate use. Since the state prison is overcrowded, the state architect should study existing structures and estimate costs of converting them into a minimum/medium security facility. Implementation will reduce the cost for expanded correctional facilities as well as offset any financial loss created by the school's closing.

172. Sell unneeded Montana Veterans Home land.

Approximately 20 to 30 acres of campus land are no longer used while an additional 74 acres leased for farmland produces only a small amount of revenue. Unnecessary lands should be sold after the current farm leases expire. Sale proceeds for approximately 94 acres will produce a one-time income of $280,000.

173. Reduce the maintenance staff at the Montana Veterans Home.

The home's maintenance activities are staffed to cover peak summer work loads. To avoid this costly practice, one maintenance worker should be eliminated and part-time help should be hired to meet seasonal requirements. Implementation of this proposal will save approximately $17,000 annually.

174. Reassign Montana Veterans Home custodial staff to the maintenance supervisor.

Custodial duties are well defined and require minimal supervision. Since the custodial supervisor's position is vacant, it should be eliminated and the staff assigned to the maintenance supervisor. Implementation will save $17,000 annually.

Department of Health and Environmental Sciences

Fiscal 1982 Budget: $22-million, including $14-million in federal funds.
Positions Authorized: 281.
Positions Filled: 249.
Chief Operating Officer: Director.
Reporting Structure: The director reports to the Governor and supervises five divisions.

The Department of Health and Environmental Sciences is responsible for protecting and promoting public health. Duties range from maintaining birth and death records to investigating violations of federal pollution regulations. Staff units for personnel, planning and evaluation as well as public information report to the Office of the Director as do five divisions and two laboratory bureaus. The Chemistry Laboratory Bureau performs a variety of tests to assure food, air and water quality, while the Microbiology Laboratory Bureau specializes in disease surveillance and testing for hospitals and independent clinical laboratories.

The Central Services Division is divided into the Management Services Bureau and Records and Statistics Bureau. The former performs accounting and purchasing functions, while the latter maintains vital statistics files. A Legal Division provides counsel and support services, reviewing all grant proposals and prosecuting civil cases. The Hospital and Medical Facilities Division regulates health care facilities and develops new health programs through Bureaus of Licensing and Certification, Emergency Medical Services, and Health Planning and Resource Development. The Environmental Sciences Division protects human health and environmental quality through six bureaus: Air Quality, Food and Consumer Safety, Occupational Health and Safety, Solid Waste Management, Subdivision, and Water Quality. It also maintains an Environmental Condition Section to research and compile data for environmental impact statements. The remaining division — Health Services — is discussed in a separate report section.

The department has many skilled and dedicated employees. However, morale and productivity are low. In addition, there have been three directors in five years. While the Central Services Division has initiated a series of significant changes, improvements in monitoring the activities of local registrars, adjustments in fees, and staff reassignments are needed.

Recommendations

175. Redefine the qualifications for the director.

Lack of management control has led to overstaffing, poor organization, unclear objectives, and low employee morale. Historically, the director has been a medical doctor. However, it has been difficult to attract physician candidates who also have the strong administrative skills required for department leadership.

To strengthen overall operations, the director's qualifications should be redefined to emphasize management training and experience. A master's degree in public health, public health administration, or health services administration should be required instead of a degree in medicine. Medical expertise can be provided by the physicians recommended elsewhere. Operating effectiveness will improve when the director assumes a strong administrative role.

176. Reassign the laboratory bureaus to appropriate divisions.

Although almost 90% of the chemistry laboratory's work is performed for the Environmental Sciences Division, both laboratory bureaus report to the director's office where they receive limited guidance and support. Furthermore, laboratory bureau chiefs are burdened with excessive administrative tasks. In addition, seasonal fluctuation in work load causes a periodic testing backlog.

Several measures should be taken to improve operations in the two laboratory bureaus. The Microbiology Laboratory Bureau should be reassigned to the Health Services Division and the Chemistry Laboratory Bureau to the Environmental Sciences Division, with administrative duties transferred to division staffs. In addition, both bureaus should train a clerical worker to assist with elementary laboratory work during peak periods.

Implementation will increase efficiency, placing the bureaus in divisions where their work applies. Relieving bureau chiefs of time-consuming administrative tasks will allow more opportunities for supervision and training, while enabling reduction of one position for an annual saving of $20,000.

177. Reassign the legal staff to the Attorney General.

State law designates the Attorney General as legal adviser to the Department of Health and Environmental Sciences. However, the department employs its own staff of lawyers. This situation results in limited direction and duplication of manpower. Accordingly, the Legal Division staff should be reassigned to the Attorney General. Although no saving can be claimed, a larger pool of legal talent will be available to resolve more difficult cases.

178. Improve communications between Central Services and operating divisions.

The Central Services Division sends memos to notify other divisions and bureaus about changes in administrative procedures and policies. Since input is not sought from departmental supervisors, confusion results.

To strengthen communications and improve interaction, Central Services should schedule meetings with division heads and selected bureau chiefs to seek input on proposed changes. Implementation will strengthen the decision-making process while encouraging cooperation between divisions.

179. Consolidate systems analysis in the Central Services Division.

Several divisions have systems analysts who work independently. This approach produces fragmented solutions to data processing problems and results in poor services as well as inflated costs. For example, licenses are issued and fees collected by several bureaus.

To solve this problem, responsibility for systems studies and data processing coordination should be consolidated in the Central Services Division. Department goals and objectives should be established and communicated to all users, then a detailed analysis of present and proposed data processing applications should be made. Limited resources could be fully utilized to develop productive, cost- effective systems using the department's hardware.

Implementation will result in a systems staff reduction of one analyst while centralized billing and license issuance will eliminate three positions for a saving of $66,000. An estimated $20,000 per year can be saved in systems design and hardware costs as well, but no benefit is claimed.

180. Schedule biennial grant funding audits.

Financial audits of local programs operating with department funds are the responsibility of the Management Services Bureau's internal auditor. However, these audits are performed without a regular schedule. This diminishes accountability and control.

To ensure proper use of funds, the auditor and bureau chief should schedule audits based on dollar value, susceptibility to default, time, and location. Each agency should be reviewed at least every two years. Implementation will reestablish control and prevent potential abuse. If audits disclosed only a 1% misuse of funds, the annual saving will be $29,000 in state and $7,000 in federal funds.

181. Transfer all certification and licensing activities to the Licensing and Certification Bureau.

Licensing and certification policies and procedures are inconsistent because the three bureaus in the Hospital and Medical Facilities Division — Licensing and Certification, Emergency Medical Services, plus Health Planning and Resource Development — conduct separate programs. To ensure uniformity and end duplication, the Licensing and Certification Bureau should assume responsibility for ambulance licensing and inspections from Emergency Medical Services plus the Certificate of Need program in Health Planning and Resource Development. Ambulance inspections could be integrated with the health facility inspections now conducted by qualified health care generalists within Licensing and Certification. Implementation of this recommendation will make better use of the existing manpower, reduce unnecessary inspector travel time, as well as eliminate one secretarial position for an annual saving of approximately $16,000.

182. Raise the fees to copy and search birth certificates.

The department receives over 17,000 annual requests to copy and certify birth certificates. Research time and documents are provided for a minimal charge which fails to recover costs. Furthermore, only one-third of the revenue is earmarked for support of Records and Statistics Bureau operations.

To cover actual costs, fees for birth certificates should be increased from $3 to $5, with search fees raised from $5 to $10 per hour. The entire amount should be earmarked for the Records and Statistics Bureau. Increasing fees will produce additional annual income for the bureau of $27,000.

183. Establish appropriate statistical program parameters.

The statistical unit in the Records and Statistics Bureau generates data for federal reports. In addition, it performs various analyses when requested by other state agencies. However, the appropriateness of these inquiries has never been clearly defined. Criteria should be compiled to delineate minimum requirements for federal government reporting and valid additional requests. Establishing appropriate parameters within the Records and Statistics Bureau will clarify performance standards, eliminate unnecessary work, and permit a reduction of two positions for an annual saving of $40,000.

184. Develop a procedures manual for staff training.

The records unit in the Records and Statistics Bureau has no procedures manual. Instead, the complex methods employed are learned through experience. Potential difficulties could arise because the small staff has a high turnover rate.

A procedures manual should be developed and used regularly to cross train personnel. The manual will assure an ongoing understanding of operations, while cross training will allow rotation of duties, increase job satisfaction, and improve productivity.

185. Change the processing procedure for birth certificate requests.

Approximately 70 requests for birth certificates are received weekly with insufficient funds. When this occurs, a letter is prepared and returned with the original request asking the sender to forward the proper amount. The process is time consuming and inefficient.

To simplify and expedite services, the separate letter should be eliminated. Requests should be processed despite the shortage. A statement would then be attached to the certificate explaining the fee was inadequate and asking for the additional amount. Implementation will eliminate a second mailing for a saving of $5,000 annually in supplies and postage.

186. Monitor and control the effectiveness of local registrars.

The Records and Statistics Bureau appoints at least one registrar per county to report vital statistics. While registrars are perceived as state representatives, no system exists to monitor, control or improve their work. Contact is made only if complaints are received.

To increase accountability and performance, a procedural manual with specific goals, objectives and methods should be developed for the registrars. Training sessions should also be scheduled and supplemented by visits to local offices. Implementation will clarify responsibilities and assist in upgrading service.

187. Increase license and certification fees in the Hospital and Medical Facilities Division.

Both the Licensing and Certification Bureau and the Emergency Medical Services Bureau charge inadequate fees to recover processing costs for the licensing and certification programs. Legislation should be enacted empowering the department to increase fees to achieve cost recovery. Implementation will eliminate current annual shortfalls with income totaling $144,000.

188. Charge fees for microbiology laboratory services.

Unlike the Chemistry Laboratory Bureau which charges for its services to recover costs, the Microbiology Laboratory Bureau performs time-consuming tests and procedures but has few fees. For example, no charges are assessed to offset the $12,000 spent annually to certify drinking water laboratories. Therefore, a fee schedule based on recovery of costs should be developed for all tests and certifications, with monies sent to the Central Services Division for processing. State agencies utilizing lab services would pay the fees as well. Implementation will provide money needed to update equipment and facilities by producing an annual income of $350,000.

189. Eliminate authorized but unnecessary positions in the Environmental Sciences Division.

While over 12 vacancies exist in this division, programs operate smoothly and efficiently. Therefore, one authorized vacant position in Food and Consumer Safety; one in Solid Waste Management; two in Occupational Health and Safety; five in Water Quality; and three full- plus one half-time vacancies in Air Quality should be formally eliminated. Implementation will place emphasis on establishing work load priorities while preventing filling these positions should federal funding become available.

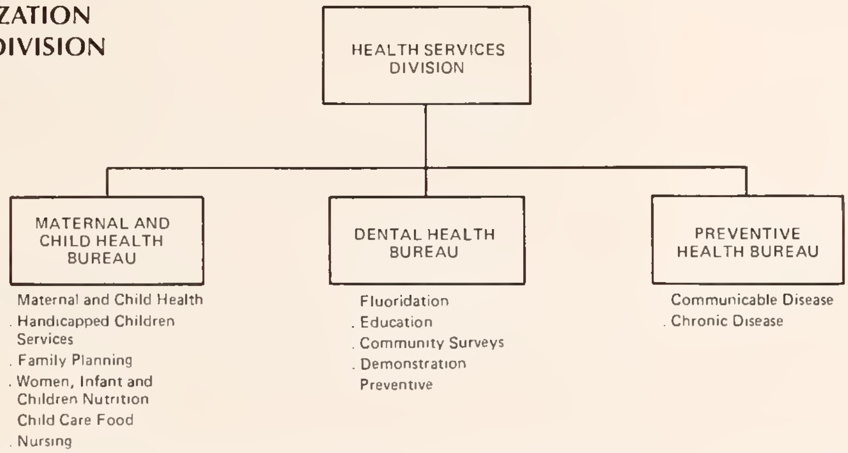
Health Services Division

This division provides statewide public health activities with over 94% of the $11.6-million fiscal 1982 budget federally funded. The Health Services Division Administrator as well as two bureau chiefs are physicians. Although seven positions are vacant, 66 are authorized for work in the fields of maternal and child health, dental health, and preventive health.

The Maternal and Child Health Bureau offers services to children and expectant mothers as well as provides programs in family planning, public health nursing, treatment for handicapped children, and nutrition. The Dental Bureau operates preventive dental health programs while the Preventive Health Service Bureau helps control both communicable and chronic diseases.

Many of the division's personnel are dedicated and skilled. However, federal program expansion during the early 1970s encouraged overstaffing. Furthermore, a lack of supervision and fragmented organization have generated low employee morale.

PRESENT ORGANIZATION
HEALTH SERVICES DIVISION



Recommendations

190. Reorganize the Health Services Division.

As illustrated by the chart shown above, 13 sections report to the division's three bureaus. This has led to functional overlap and confusion. The result is an overstaffed division with low morale. To increase productivity, bureau functions should be consolidated and aligned as shown below:

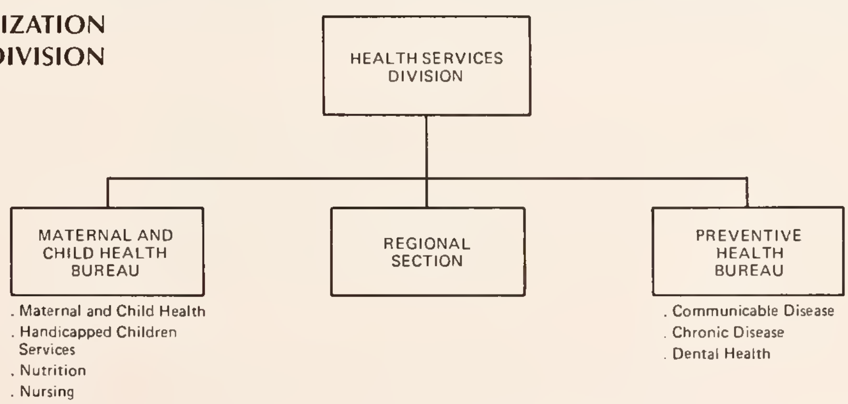
- ☐ In the Maternal and Child Health Bureau, the Child Care Food Program, and the Women, Infant and Children Nutrition Program should merge into a new Nutrition Section while the Family Planning Program should be combined with the Maternal and Child Health Section.

- ☐ The Dental Health Bureau should be eliminated, with functions consolidated in a new Dental Health Section under the Preventive Health Bureau.

- ☐ A Regional Section would be formed to assist both bureaus, as explained in a subsequent recommendation.

To strengthen overall management, a non-physician should be appointed Health Services Division Administrator. In addition, each program should

PROPOSED ORGANIZATION
HEALTH SERVICES DIVISION



have a designated program director, while a physician consultant should provide medical advice to all functional units. Implementation will include creation of a pool for required clerical support. This realignment will enable reduction of 25 full-time and one half-time positions for an estimated saving of $555,000 annually. In addition, supervisory and functional responsibilities throughout the division will be better defined.

191. Establish three regional service centers.

Because local health departments are located in the larger population centers, many small towns and rural areas have no direct contact with public health services. In addition, existing local agencies lack the educational materials and human resources required to coordinate implementation of state and federal health programs.

To extend health services while improving program coordination, a Regional Section consisting of a consulting public health nurse and nutritionist should be assigned to proposed center offices in Missoula, Billings and Helena. Section teams in each area would assist Maternal and Child Health plus Preventive Health Bureaus in coordinating state and federal health programs in the population centers. They would also provide training and educational opportunities to regional health workers. In addition, these teams would travel to small towns and rural areas to offer available services, thus becoming the communication link between local and state agencies. Based on staffing already budgeted, added costs will be approximately $20,000 annually for office operations.

192. Consolidate the office space assigned to two bureaus.

At present, the Preventive Health Bureau and the Maternal and Child Health Bureau are in separate wings of the Department of Health and Environmental Sciences building. Bureau size does not warrant the allocated office space. Preventive Health should share the space assigned to Maternal and Child Health. Consolidation will eliminate waste and allow other agencies currently paying commercial rent to use this area.

Governor's Council on Management

Natural Resources

Department of Natural Resources and Conservation

Fiscal 1982 Budget: $22-million, including $4.3-million in federal funds.
Positions Authorized: 312.
Positions Filled: 263.
Chief Operating Officer: Director.
Reporting Structure: The director reports to the Governor but is advised by the Board of Natural Resources and Conservation. Four administrative units and five divisions are supervised by the director.

This department develops, manages and regulates Montana's natural resources. Water use, land management, energy generation plus oil and gas extraction are regulated through a wide range of programs. The seven-member Board of Natural Resources and Conservation advises the director and has final authority in such areas as conservation district boundaries, water reservation system regulations, floodplain development, and energy plant certifications.

The director supervises Administrative, Legal, Personnel/Training, and Public Information/Citizen Participation Units plus a Special Staff Unit responsible for interdepartmental and interdivisional program and planning coordination. Five divisions also report to the director. Centralized Services provides managerial and administrative support through budgeting, accounting, purchasing, data processing, payroll and technical writing activities. The remaining four divisions — Energy, Conservation Districts, Water Resources, plus Oil and Gas Conservation — are discussed in subsequent report sections.

The department has a qualified and dedicated staff who fulfill mandated missions effectively. However, communication problems have resulted in fragmented areas of responsibility and underutilization of staff resources while information functions are currently divided between the director's staff and the Energy Division. Several grant and loan programs in the Energy, Water Resources, and Conservation Districts Divisions are administered without uniform methods. Also, human resource activities should be improved and some organizational realignments are possible.

Recommendations

193. Improve human resource management.

Some department job descriptions are outdated because of reorganizations and reassignments. The inaccuracies can cause duplication of effort, unclear lines of responsibility, and incorrect classification of jobs. Furthermore, no employee appraisal system is used and training programs are not formalized. In addition, the role of the department's Personnel/Training Unit is not clearly defined.

To strengthen human resource management, the mission of the Personnel/Training Unit should be clarified and specific responsibilities assigned. These should include maintaining accurate job descriptions, implementing an employee appraisal system modified for department use, and establishing a structured training program. When implemented, accurate job descriptions will clarify reporting relationships and properly classify jobs. A performance appraisal system based on related job descriptions will improve management decisions concerning employees while improved training will help develop managerial skills.

194. Consolidate public information functions.

All releases of information to newspapers, magazines, special publications and radio and television stations are to be made through the information officer in the Public Information/Citizen Participation Unit. However, the Energy Division through the Renewable Resources and Conservation Bureau has a public information group. This may result in duplication of effort and the possibility of conflicting information.

To control costs and avoid embarrassment, all information functions should be combined in the Public Information/Citizen Participation Unit of the director's office. Through consolidation, the audiovisual specialist position can be eliminated to provide an annual saving of $15,000 in state and $12,000 in federal funds.

195. Eliminate the Special Staff Unit.

This unit was established to serve as a technical resource for the director and the divisions. Over the last several years, technical expertise at the divisional level has increased so the need for such assistance has diminished.

Since this unit currently has no line assignments and few special projects, it should be eliminated and duties reassigned to the divisions. This will provide an annual saving of $77,000 in state and $5,000 in federal funds.

196. Reorganize the Centralized Services Division.

Supervision in this division is fragmented because the Fiscal and Data Processing Bureaus report to the administrator while the Cartographics and Publications Bureaus are directed by the assistant. Furthermore, the functions of the latter two overlap significantly. In addition, the administrator supervises too many routine staff functions.

To streamline operations, the following changes should be made:

- ☐ Eliminate the position of assistant administrator.
- ☐ Create an administrative unit headed by a proposed loan and grant officer. This would remove direct supervision of the secretarial pool, research center and pilot from the administrator.
- ☐ Move purchasing and travel coordination functions from the administrator's office to the Fiscal Bureau where support is already provided.
- ☐ Consolidate the Publications and Cartographics Bureaus.

Implementation will eliminate the assistant administrator and bureau chief positions for an annual saving of $54,000 in state and $3,000 in federal funds. However, the loan and grant officer's annual salary will require $29,000 in state and $2,000 in federal funds.

197. Centralize the financial administration of loan and grant programs.

Currently, six individual loan or grant programs are administered by the department. Each is planned and monitored separately, resulting in duplication of effort and lack of uniformity and coordination. The administration of all financial programs should be consolidated under a loan and grant officer in the Centralized Services Division. Duties would involve negotiating with appropriate financial institutions for loan and grant management including the servicing of transactions on an ongoing basis.

By retaining its own loan and grant evaluator, each division could continue awarding funds without incurring long-term administrative responsibilities. While another recommendation funds the new position, four positions in the Water Resources and Energy Divisions could be eliminated for an annual saving of $48,000 in state and $43,000 in federal funds.

198. Modify the renewable alternative energy program.

The Energy Division provides grants from coal severance tax revenues for various renewable energy demonstration projects including subsidies for private homes. While program goals and objectives were not firmly established and performance was not well monitored or publicized prior to 1981, the present administration is attempting to correct this problem. Nevertheless, continuing to award grants is a questionable practice.

By replacing grants with loans from a revolving fund, a five to eight year timetable could be established to eliminate the use of coal severance tax revenues. Loans should be made available at a reduced interest rate to provide necessary incentives. In addition, the division's staff should determine the technical feasibility of various projects and avoid activities which are being conducted elsewhere. When the transition is completed, the $2-million annual coal severance tax contribution to this program would not be necessary. Yearly interest income based on a rate of 10% will be $200,000.

Energy Division

This division performs a variety of environmental reviews, studies and analyses required by the Montana Facility Siting Act (MFSA) and the Montana Environment Policy Act (MEPA). It also encourages energy conservation and technological development. A staff of 39 reports to the administrator. The division's fiscal 1982 budget was $5.6-million, including $1.6-million in federal funds.

The administrator's office includes an assistant and a clerical staff of seven. The Energy Division has the following three bureaus:

- Facility Siting - Works with the Planning and Analysis Bureau to produce environmental impact statements for proposed energy-generating or conversion facilities which are regulated by MFSA or MEPA. With a staff of 11, funding is derived partially from applicant filing fees for environmental impact statements.

- □ Conservation and Renewable Energy - Promotes energy conservation and renewable energy technologies. With a staff of 15, it consists of the Grant and Loan Administration Section, which administers several federal and state grant and loan programs; the Energy Information Section, which gathers energy data from some 2,500 state-owned and state-leased buildings as well as produces and disseminates energy conservation information; and the Technical Support Section, which provides advice and analytical support to the other two sections.

- □ Planning and Analysis - Investigates and analyzes new developments in energy. Its staff of seven provides the division with policy analysis, energy planning, and energy data collection.

The administrator is aided in carrying out the division's mission by a staff of well-trained professionals. However, the present organization structure is characterized by unclear lines of responsibility resulting in fragmented operations and poor communications.

Recommendations

199. Restructure planning and analysis activities.

The Energy Division administers two major functional areas — enforcement of provisions of MFSA and MEPA, plus advocacy for conservation and renewable energy programs. Functions in the Planning and Analysis Bureau overlap these areas, creating redundant responsibilities and inconsistent results. Therefore, this bureau should be eliminated and its functions distributed as follows:

- □ Merge the development of MFSA and MEPA "Needs Analysis and Alternative Analysis" activities into the Facility Siting Bureau to assure integration and improve coordination.

- □ Combine the Petroleum Conservation and Sustainable Energy Administration programs with the Conservation and Renewable Energy Bureau.

- □ Establish a Technical Support Unit reporting to the administrator.

These actions will eliminate one bureau chief position and increase efficiency, providing an annual saving of $26,000 in state plus $7,000 in federal funds.

200. Assign project management duties to an interdisciplinary team.

The Facility Siting Bureau must respond quickly when an application to build a facility is received. However, the uncertain timing of applications makes management of this process difficult. Since new employees are hired for each project, there is no incentive to complete work on time, perform preplanning, and avoid frequent start-up delays. Furthermore, poor continuity exists between projects while a lack of managerial control and weak integration of project components also slows progress.

To solve these problems, the Facility Siting Bureau should organize an interdisciplinary team responsible for each MFSA application. One of the team members should be named project manager. Project specialists would be hired only after issues and work areas are defined. Implementation will improve management control of projects, assure continuity from one project to another, as well as expedite the environmental impact statement process through improved planning and resource utilization. Furthermore, a potential cost reduction of $101,000 could be attained by reducing the time required to complete the environmental impact statement, but is not claimed.

201. Assign responsibility for records management.

Currently, no one has responsibility for records management in the Facility Siting Bureau. Slides, maps, reference materials and documentation of previous environmental impact studies are not systematically cataloged. This results in wasted time, inefficient use of resource material, duplication of effort, and lack of project continuity. Therefore, records management should be assigned to the research specialist in the proposed Technical Support Unit. This employee would catalog and organize maps, establish and maintain a slide file, set up a master file of reference material, and maintain project files. After files are organized, their maintenance should be assumed by the Centralized Services Division's librarian.

Implementation will improve information retrieval, provide continuity, and reduce time involved in research. An annual saving of $10,000 will be realized through the elimination of one position.

202. Reorganize the Conservation and Renewable Energy Bureau.

Bureau personnel are not fully utilized. Furthermore, planned reductions in federal funding will aggravate this situation. Prior recommendations suggest centralizing the financial administration of all loan and grant programs in outside financial institutions and consolidating functions previously performed by the Planning and Analysis Bureau into the Facility Siting and Conservation and Renewable Energy Bureaus. When accomplished, the Conservation and Renewable Energy Bureau should be consolidated as follows:

- Assign the former grant and loan section manager to the Technical Section as its permanent administrator. This will effectively eliminate the Grant and Loan Administration Section as an entity.
- Retain one administrative assistant from the Grant and Loan Administration Section to support the Technical Section manager.
- Consolidate the program manager functions for local government and residence conservation service into one position.
- Combine state energy consumption and petroleum monitoring under the research specialist position.

Implementation will improve functional alignment and provide better staff utilization. An annual saving of about $72,000 will be attained through a staff reduction of three. Of this, $40,000 will be state and $32,000 will be federal funds.

Conservation Districts Division

This division provides supervision, assistance and coordination to the state's 59 local conservation districts in developing and implementing plans for proper management of land, water and other natural resources. Its fiscal 1982 budget of $900,000 included $68,000 in federal funds. The staff of three is headed by an administrator. The seven-member Resource Conservation Advisory Council, appointed by the Governor, serves as advisor.

As part of its function, the Conservation Districts Division supervises local soil conservation projects and long-range plan development, furnishes legal support, coordinates state and local agency efforts, and administers loan and grant programs. In addition, it coordinates the rangeland management program.

The Conservation Districts Division is successfully fulfilling its statutory mandate to supervise and advise local conservation districts. However, legal requirements make this mission difficult. Also, the rangeland improvement loan program is the only source of renewable resource funds derived from the coal severance tax. At present, the interest rate charged is too low to keep pace with inflation.

Recommendations

203. Amend the procedure to change conservation district boundaries.

Conservation districts are considered subdivisions of the state and are funded by a maximum of a 1.5-mill county tax. Any change to an area in a district must be approved by the Board of Natural Resources and Conservation or by public referendum. Under current statutes, this may be requested by as few as 10 people in the district. The referendum process is expensive and must be financed by the department.

To eliminate nuisance filings, the statute should be amended to require 15% of the eligible voters to sign a petition before a referendum is authorized. This will ensure that referendum calls reflect the desires of the local community. Implementation will also provide better utilization of manpower. The time required and expenses incurred during the referendum process can be spent on other more meaningful projects.

204. Increase rangeland improvement loan interest rates.

Currently, the division administers a 10-year loan program with a maximum of $20,000 at 2% interest for improvement of rangeland in Montana. This has been funded from a portion of the Coal Severance Tax Renewable Resource Development Fund (RRD). While the program is important, the 2% interest rate is not keeping pace with inflation and is decreasing the fund base in the renewable resource trust account. Therefore, a self-sustaining loan program for rangeland improvement should be established by the department through the Board of Natural Resources and Conservation. Monies from the RRD fund should be appropriated for three more biennium periods to form a loan pool. Then, loans would be repaid to an earmarked revenue account so the fund would be self-sustaining. To offset inflation, the interest rate should be raised to 10%.

Implementation will establish a long-term program dedicated to the improvement of natural resources important to all of Montana. Increasing the interest rate will provide additional annual income of approximately $84,000.

Water Resources Division

This division regulates and apportions existing water and encourages conservation to assure adequate future supplies. With a fiscal 1982 operating budget of $13-million including $2.3-million in federal funds, an authorized staff of 168 reports to the administrator. The Water Resources Division has four bureaus each headed by a chief:

- □ Water Rights - Records existing water rights, apportions water to new users, adjudicates disputes on priorities or the validity of water claims, and regulates well drilling or diversion of ground water.
- □ Water Management - Develops data on the adequacy of water to meet future agricultural, industrial and personal needs as well as negotiates with other states and Canada to protect Montana's rights to water sources external to the state.
- □ Engineering - Supervises 45 state-owned water projects, many of which are operated and maintained by users under water purchase contracts.
- □ Water Development - Provides technical assistance on proposed water projects as well as approves and administers a loan and grant program for the development of new projects.

This division is ably managed and is fulfilling its mandate effectively. However, some lines of responsibility are unclear. Improved communications could eliminate duplication in the water rights recording process. In addition, adjudication costs for public hearings should not be paid from the General Fund.

Recommendations

205. Restructure the Water Resources Division.

Overlapping functions have created overstaffing. For example, the budget and personnel responsibilities of the assistant administrator are duplicated by the Centralized Services Division. In addition, separate bureaus conduct field inspections, promote water development, provide technical services, and work with conservation districts. The following changes should be implemented to consolidate activities and increase productivity:

- □ Eliminate the Water Development Bureau. Another recommendation significantly reduces the bureau's work load. Project Development duties should be transferred to the Technical Services Section of the Water Management Bureau. Implementation will reduce the current staff by three.

- □ Transfer the assistant administrator's budget and personnel responsibilities to the Centralized Services Division, then eliminate this position.

- □ Realign bureau functions to consolidate conservation programs, technical services and field inspections. In addition, all bureau sections should be retitled to better describe functions.

- □ Eliminate positions at the Daly Ditches project. This operation has been sold. When the transfer is complete, five full-time and one part-time positions should not be reassigned.

- □ Eliminate the data management program manager position in the Technical Services Section of the Water Management Bureau when federal funding ends.

Implementation will reduce division staffing by 10 full-time and one part-time positions for an annual saving of $213,000.

206. Eliminate the recording of water rights in county court houses.

The annual recording of over 6,000 water permits and certificates is duplicated by the state and county. The Water Resources Division records all water rights, then pays counties to retain the same information. Data are rarely retrieved from county files because similar technical facts are maintained in Helena and affiliated field offices. This redundant process is costly and increases the time needed to obtain permits by about three weeks. Furthermore, approximately 250,000 pre-1973 water right claims are scheduled to be recorded during the next 10 years at additional state expense.

To avoid duplication and streamline the application process, county recording of water rights should be eliminated. Implementation will save $21,000 in filing fees plus eliminate one clerk position at the state level for an additional $14,000 — an annual combined benefit of $35,000. A one-time saving of $875,000 will also be achieved by removing the need to record pre-1973 claims.

207. Charge the losing party for water rights' adjudication costs.

Filing fees for new water apportionments fund only 10% of program costs. Present expenditures total about $1.1-million annually and much of this amount is court-related. Bureau personnel act as mediators at about 300 annual public hearings costing at least $1,000 per case.

The cost of contested property rights should not be borne by the state. Instead, the losing party should be charged for state services. Implementation will generate $200,000 in increased income annually. It will also help minimize the introduction of minor objections, thus reducing the caseload so the technical staff can concentrate on other matters.

208. Consolidate water permit, regulation and enforcement activities.

At the present time, similar but complementary activities take place in both the Department of Natural Resources and Conservation (DNRC) and the Department of Health and Environmental Sciences (DHES). These activities include water testing, engineering, permit issuing and enforcement. The fundamental difference is on emphasis — DHES stresses water quality and DNRC, water quantity.

To eliminate duplicated facilities and personnel, the Water Quality Bureau in the DHES should be merged into the Water Rights Bureau in the DNRC to form a single entity. Further consolidation should take place within this new organization. Implementation will permit the reduction of 28 positions, 18 of which are currently vacant, for an annual saving of $315,000.

Oil and Gas Conservation Division

The primary mission of this division is to control the development of oil and gas resources in Montana. With 20 employees, its fiscal 1982 budget was $735,000. While the division is attached to the Department of Natural Resources and Conservation for administrative purposes, it is actually directed by the seven-member Board of Oil and Gas Conservation. Functions of the board include establishing field operating rules, approving permits for special drilling and recovery programs, adjudicating landowner complaints, and reviewing natural gas charges under the Natural Gas Policy Act.

Offices of the division are located in Helena, Billings and Shelby. Additional support is provided by the department's Centralized Services Division for statistical reports and tax collection. The staff in Helena processes monthly production data submitted from operators within the state, collects the producer's conservation tax, and bonds operators to ensure proper plugging and restoration when well sites are abandoned. Facilities in Billings accommodate the administrator and his technical and clerical staff. As one of two district offices, Billings is responsible for field inspections in the eastern and south central regions of Montana while Shelby is accountable for inspections in the western and north central regions of the state.

General operations are fragmented or duplicated because functions are performed at multiple offices. Data processing for present records management and information services are non-existent while the present fee structure for drilling permits does not reflect associated costs. The producer's conservation tax, which is collected by the Centralized Services Division, is computed from the same base used by the Department of Revenue to calculate and collect the oil and gas severance tax and the resource indemnity trust tax. Furthermore, the division does not have an audit staff to enforce collection.

Recommendations

209. Merge the Helena activities into the Billings office.

Division operations are not concentrated in one location. Permit and inspection functions are directed from Billings while bonding and coordination of board activities are done from Helena. However, board meetings and hearings are usually conducted in Billings while the administrative assistant in Helena acts as its executive secretary. Most statistical production information generated in Helena is compiled in Billings. Similar production data, land survey maps, well permit ledgers, results of board meetings, and gas pricing information are maintained in both locations. This fragmented structure is not cost effective.

To solve these problems, operations should be combined in one office at Billings. The existing facility in Billings has sufficient space to accommodate the required Helena personnel. This would establish a single division contact point for industry and government. A one-time cost to relocate and remodel is estimated at $5,000. However, annual expenses for travel, lodging, telephone, records management, supplies and rent can be reduced by at least $3,500 per year. Consolidation of activities relating to maintaining maps and permit ledgers, producing statistical reports, typing and filing will permit the elimination of one position to save $15,500 annually. Thus, the annual saving will total $19,000.

210. Implement automated records management and reporting systems.

Presently, all records are retained in paper files. Much of the information is processed manually for statistical reports. Thus, compilation time is excessive. Also, file storage is expensive and limited.

The Centralized Services Division plans to implement some automated systems in the Oil and Gas Conservation Division. These should be expanded to include batch processing for production data. Reports could be delivered via printer and terminal facilities which are planned for Billings. Implementation will eliminate two statistician positions from the Centralized Services Division, providing an annual saving of approximately $34,000. The annual cost of the automated systems will be $15,000 while one-time development cost is projected at about $25,000.

211. Have the Department of Revenue administer the producer's conservation tax.

This tax is collected and processed by the Centralized Services Division. The function is largely manual and no field audit is performed. Because several taxes use production data as a base, records are duplicated in other locations.

To eliminate redundant efforts, the Department of Revenue should be designated as administrator and collector of the producer's conservation tax. Existing forms should be consolidated and corresponding filing dates set for the producer's conservation, oil and gas severance, and the resource indemnity trust taxes. With the exception of a one-time implementation cost of $3,000 for conversion, the existing collection, processing, deposit and audit system employed by the Department of Revenue should be adequate. Implementation will eliminate one position in the Centralized Services Division and generate an annual saving of $21,000.

212. Eliminate the drilling permit fee.

Costs of drilling permits do not recover inspection program expenses. Also, the collection process generates a mass of paperwork for government and industry. To avoid this situation, the state should eliminate the fee for drilling permits and adjust the producer's conservation tax rate to compensate for the difference. Implementation will eliminate the burden of processing, collecting and transferring fees, reduce paper flow, simplify accounting functions, and place all income administration under the control of the Department of Revenue.

Department of Fish, Wildlife and Parks

Fiscal 1982 Budget: $18-million, including $5.2-million in federal funds.
Positions Authorized: 480.
Positions Filled: 405.
Chief Operating Officer: Director.
Reporting Structure: The Fish and Game Commission and the Outfitters Advisory Council provide guidance to the director, who reports to the Governor while administering seven divisions and seven regional supervisors.

This department protects the state's fish and wildlife while preserving scenic, historic and recreational resources. The director receives guidance from both the Fish and Game Commission and the Outfitters Advisory Council. The former establishes wildlife and fishing policies and regulations, reviews department budget proposals, and approves construction projects. The latter helps the department set rules and licensing standards for over 1,200 outfitters and professional guides in Montana.

Seven regional supervisors oversee field operations and implement programs developed by the following seven divisions:

- ☐ Fisheries - Regulates fishing and preserves fish habitats.

- ☐ Wildlife - Protects wild animals, establishes hunting regulations, and maintains 275,000 acres of wildlife areas.

- ☐ Parks - Conserves and maintains Montana's recreational, historical, archaelogical and scientific resources.

- ☐ Ecological Services - Protects the natural environment in rapidly developing areas, by ensuring compliance with state and federal environmental regulations.

- ☐ Enforcement - Ensures compliance with state and federal regulations pertaining to fish, wildlife and park usage. This division also investigates recreational accident and damage reports as well as administers safety education programs.

- ☐ Conservation Education - Coordinates public relations, produces publications and audiovisual materials, plus maintains a film lending library.

□ Centralized Services - Provides administrative support, accounting, purchasing, licensing and similar functions.

The department enjoys strong management. However, fragmented line and staff relationships have generated a separation between field and division employees. Clear goals have not been formulated while employee training and appraisal programs are deficient. In addition, this agency's vehicle fleet is underutilized and many license fees are insufficient to recover costs.

Recommendations

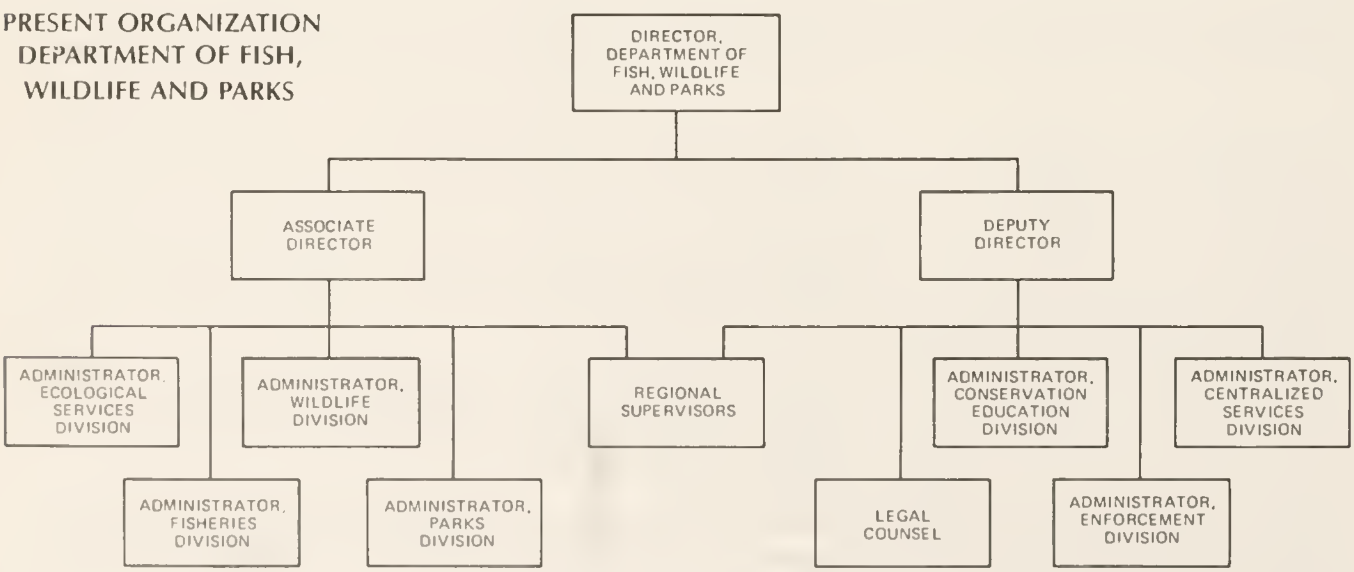
213. Reorganize the Department of Fish, Wildlife and Parks.

The present organization illustrated directly below has a complex structure and fragmented lines of authority. Responsibilities are divided between two positions of equal importance — the Associate Director and Deputy Director. The former supervises Administrators of Ecological Services, Fisheries, Wildlife, and Parks Divisions while the latter oversees the Legal Counsel plus Administrators of Conservation Education, Enforcement, and Centralized Services Divisions. However, they share responsibility for directing seven Regional Supervisors. This dilutes any direct authority and creates potential tensions if incumbents fail to agree on procedures.

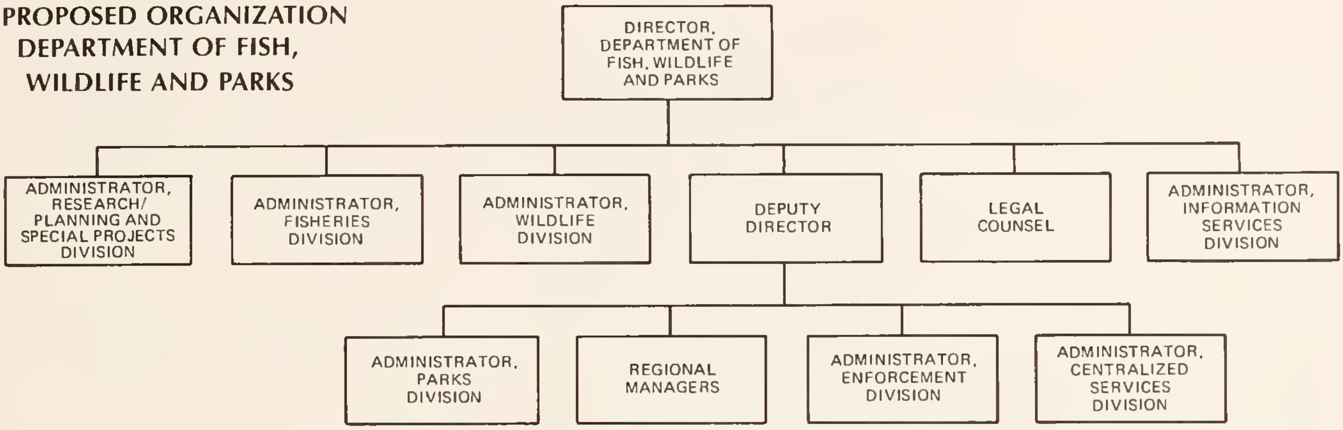
In addition, several divisions have duplicate functions. For example, field biologists perform the same monitoring services for different groups. Also, a habitat preservation coordinator in the Fisheries Division has parallel duties to the Habitat Protection Bureau Chief in Ecological Services. Similarly, some tasks of water resource personnel in the Ecological Services Division overlap those of the Department of Health and Environmental Sciences.

The proposed reorganization chart depicted to the right is designed to correct these deficiencies. Implementation would require the following changes:

PRESENT ORGANIZATION DEPARTMENT OF FISH, WILDLIFE AND PARKS



PROPOSED ORGANIZATION DEPARTMENT OF FISH, WILDLIFE AND PARKS



- □ Eliminate the Associate Director.
- □ Restructure the Ecological Services Division into a Research/Planning and Special Projects Division and have the Division Administrator report to the Director. This group should absorb all research, planning, project development and data base management functions performed by the department. Also, habitat preservation activities should be assigned to this division exclusively and current water resource personnel in Ecological Services eliminated.
- □ Reassign Administrators of the Fisheries and Wildlife Divisions to the Director, then transfer the Legal Counsel from the Deputy Director's supervision to the Director's.
- □ Create an Information Services Division from personnel in the current Conservation Education Division and have the new Division Administrator report to the Director.
- □ Transfer reporting responsibility of the Administrator, Parks Division to the Deputy Director.
- □ Assign the seven Regional Supervisors, retitled as Regional Managers, to the Deputy Director. The Deputy Director would also retain authority over the Administrators of the Enforcement and Centralized Services Divisions.

Implementation of this recommendation will clarify reporting responsibilities within the department, end duplication of effort, and eliminate a total of 17 positions providing an annual saving of approximately $461,000.

214. Develop a comprehensive department planning process.

Lack of department-wide planning has resulted in several problems. Field operators function autonomously, establishing their own goals and priorities because program objectives are unclear while costs and results are seldom monitored. Also, communication between divisions is inconsistent.

To correct these deficiencies, the proposed Research Planning and Special Projects Division should create a comprehensive plan for the department. Two experienced planners in the Fisheries and Wildlife Divisions should be transferred to Helena for this assignment. Plan development would require four stages. First, surveys should be conducted to determine what is being done in each division and region. Next, long term goals and priorities should be developed by the director, deputy director and division administrators based on regional input. Third, an operating plan should be documented on the total program. Finally, an evalution system should be devised to monitor annual progress.

Implementation will result in a one-time cost of $4,000 for relocation. However, a comprehensive plan will improve decision making, ensure efficient use of funds, and enhance management control.

215. Establish fish pond and game farm license fees.

Currently, the Enforcement Division issues approximately 400 private and commercial fish pond and game farm licenses at no charge. However, required inspections and clerical work are time consuming and expensive. To ensure adequate cost recovery, the following fees should be established: $100 registration for new commercial fish ponds or game farms; $25 annual license for established commercial fish ponds or game farms; $25 one-time registration for new private fish ponds; and $10 reregistration for any private or commercial fish pond ownership change. Implementation will generate annual income of approximately $12,000.

216. Increase hunting and fishing license fees.

The current fee structure is inadequate because the demands for recreation facilities and their costs have increased. Major repair projects are also anticipated. A new fee schedule should be implemented for hunting and fishing licenses. Implementation will enable current service levels to be maintained and needed construction or repairs made by generating additional annual income of $3.3-million.

217. Revise resident license fee discounts.

State bird hunting and fishing licenses are free for senior citizens. Also, residents 16 years old and younger are not required to buy fishing licenses. Since both these groups represent primary users, these practices are uneconomical.

Fees should be increased to more fairly support the state's recreational programs. Senior citizens should be charged $6 for fishing licenses, $4 for upland game bird licenses, and $8 and $16 for deer "A" and elk tags respectively. Youth over 12 should purchase a $6 fishing and $2 conservation license. Also, youth deer and elk tags should be raised from $2 to $5. Implementation will increase income by $550,000 annually without imposing a hardship.

218. Charge interest on overdue license dealer balances.

Approximately 20 license dealers' payments are past due 30 days at any time. The average outstanding balance is $25,000. Since the state loses interest income on this money, accounts overdue by more than 30 days should be charged interest at the annual rate for existing consumer credit. Also, interest for late charges should be added to monthly statements and license authority discontinued if payments are not remitted within 60 days. Assuming dealers will pay on time to avoid penalties, implementation of this proposal will generate an additional annual interest income of approximately $3,000.

219. Change big game license procedures.

Montana receives approximately 145,000 big game license applications annually. Each includes a drawing fee and license payment. Approximately $1.5-million in fees must be processed in the 12 weeks between application distribution and the drawing, so 18 additional workers and five computer terminals are required temporarily. Map and rule distribution is complicated, applicants have little time to submit forms, and outfitters have difficulty establishing hunting schedules. Also, drawing losers must be sent refunds.

To simplify operations, a six-month drawing process should be substituted. Game quotas should be established in January and adjusted, if necessary, after the spring counts. Map and rule distribution would begin in February with the application deadline set in May. Also, only drawing fees would accompany applications. Successful applicants would be billed for license fees, eliminating the need to mail refunds. In addition, the drawing should be held one month sooner to help outfitters schedule hunts and allow time for any necessary redrawings. Implementation will end the need for 10 temporary workers and two computer terminals for an annual saving of $42,000.

220. Change the engineering requirement for construction projects.

Currently, the department must consult a private architectural or engineering firm on construction projects where estimated costs are more than $25,000. However, Parks Division personnel are capable of providing services for some projects of this magnitude. Therefore, the minimum estimate for consulting activities should be increased to $100,000 while the director should retain the right to request outside help for special problems.

Implementation will require one additional engineer and a part-time clerk for an annual cost of $36,000. However, approximately $88,000 in professional fees will be saved yearly.

221. Improve communications.

A weak public relations program has generated criticism and a negative image for the department. Also, a lack of internal communication has divided division and regional staffs, creating misunderstanding.

The following techniques should be employed to improve external and internal communication:

- Improve policy and program understanding by holding weekly inter-division staff meetings at the state and regional levels, quarterly sessions between division and regional supervisors, and quarterly visits by the director or deputy to field operations.

- ☐ Direct the proposed Information Services Division Administrator to establish a statewide public information program directed at the local level. Regional information officers should submit quarterly reports listing scheduled contacts with schools and conservation or sportsman's groups.

- ☐ Require regional information officers to have a background in wildlife management plus strong communication and interpersonal skills.

Implementation will strengthen the department's public image while encouraging internal understanding and cooperation.

222. Increase subscription rates to *Montana Outdoors.*

The Conservation Education Division's magazine *Montana Outdoors* is a valuable public relations instrument. However, rapidly rising printing costs have produced a 40% operating shortfall. Since the publication operates with a minimal staff, the subscription rate should be increased from $5 to $8 and single issue prices from $1 to $1.50. Implementation will generate additional income of $120,000 annually.

223. Encourage *Montana Outdoors* to attract new subscribers.

Due to budget problems, *Montana Outdoors* has not conducted a promotional campaign for three years. However, industry experience indicates that renewal rates without promotion incentive average only 60%. Therefore, $40,000 should be allocated annually for two advertising campaigns per year. In addition, calendars should be offered annually as a renewal gift at an additional cost of $10,000. This program should maintain current circulation as well as attract 10,000 new subscribers each year. Therefore, first year added income will be $80,000 and will increase proportionately thereafter.

224. Sell artwork on a commission basis.

Budget problems and resultant staff reductions have limited *Montana Outdoors'* ability to produce special issues and calendars or publish wild game cookbooks. However, other states successfully support their conservation magazines through sale of mugs, wildlife books, tee shirts, advertising and the like.

To increase revenues, one piece of a western wildlife artist's work, such as a bronze, print or photograph, should be promoted in each bimonthly issue. The magazine would receive a 30% commission on each sale without investing in inventory. Resulting annual income is estimated at $23,000.

225. Increase film copy costs.

There is a significant demand for copies of films produced by the Department of Fish, Wildlife and Parks. Prices charged recover only the actual copying costs, not film production expenses. Since the Film Production Unit has a small staff and a limited equipment budget, costs should be increased from $10 to $15 per minute. Revenues could be earmarked for the Film Production Unit. Implementation will ensure continued quality film production by generating additional annual income of $5,000.

226. Relocate printing, mail and office supply distribution to the Centralized Services Division.

Currently, the Conservation Education Division is responsible for printing plus mail and office supply distribution, while the Centralized Services Division manages related billing procedures. Since Conservation Education's major function is public information, these support activities should be transferred to Centralized Services where they logically belong. Implementation of this proposal will consolidate related functions and increase efficiency.

227. Appoint a motor vehicle manager in the Centralized Services Division.

Responsibility for the department's large vehicle fleet is unassigned. This has resulted in personal use, retention of underutilized vehicles, and costly maintenance.

An earlier recommendation establishes statewide vehicle control in a proposed Division of Fleet Management in the Department of Administration. However, the size of the Department of Fish, Wildlife and Parks' fleet justifies an agency vehicle manager position. This employee, promoted from existing Centralized Services Division staff, will be the department's liaison with the Division of Fleet Management. Additional responsibilities would include assigning vehicles, monitoring use, and supervising purchase, maintenance and replacement needs. Implementation will cost $2,000 annually.

228. Sell underutilized vehicles.

Almost every non-clerical department employee has a state-owned motor vehicle. However, approximately 60 cars and pickup trucks are driven less than 10,000 miles annually while many are used much less. This low usage makes it impossible to justify operating costs.

To reduce unnecessary expenses, the underused vehicles should be sold. Employees could then be reimbursed on a cost per mile basis for business use of private automobiles. Pooling should also be encouraged while minimum vehicle usage criteria should be established before new purchases or assignments are made. Implementation will reduce the need for fleet replacements, producing an annual saving of $50,000. Sale proceeds will also generate an additional one-time income of approximately $120,000.

229. Eliminate the department's warehouse.

Since the department's warehouse overstocks low usage items, volume discounts are negated by the carrying costs associated with poor inventory turnover. This is an inefficient use of state funds.

To improve purchasing procedures, the warehouse should be closed and the inventory distributed to regional offices over a two-year period. The existing property manager should be designated as purchasing agent and authorized to buy most items directly. Implementation will speed deliveries and eliminate one position for a salary and operating saving of $24,000 annually.

230. Transfer aircraft operations to the Centralized Services Division.

Operation costs for the department's six aircraft are charged to other divisions based on use. However, the four pilots' salaries are paid by the Enforcement Division. Since the division only accounts for 10% of aircraft flight hours, this is unfair. In addition, industry standards suggest the aircraft are underutilized.

To increase use and reduce costs, aircraft management should be transferred to the Centralized Services Division. Two planes should be sold and one pilot position eliminated. Implementation will produce a one-time income of $28,000 plus reduce annual salary and operating costs by $29,000.

231. Improve human resource management.

Human resource management problems hamper department efficiency. Employee responsibilities are unclear and efforts are duplicated because of outdated job descriptions. Also, a formal appraisal system has been developed but never implemented. This hinders personnel effectiveness since performance information is incomplete. In addition, the absence of a formal training program limits skill development. The department's personnel officer should be assigned the following responsibilities to resolve these problems:

- Review, update and maintain accurate job descriptions.
- Implement the appraisal system, then monitor its use.
- Assess training needs and develop a formal program of instruction.

Implementation will clarify employee roles, clearly define performance standards, and improve management skills throughout the department.

Department of State Lands

Fiscal 1982 Budget: $19-million, including $11.8-million in federal funds.
Positions Authorized: 254.
Positions Filled: 203.
Chief Operating Officer: Commissioner.
Reporting Structure: The State Board of Land Commissioners oversees department activities. The commissioner, who is appointed by and reports to the Governor, supervises three staff units and five divisions.

This department administers state lands which are placed in a permanent trust and generate income to support public education. It also enforces Montana's reclamation laws. The commissioner supervises legal, environmental and administrative/clerical staff units in addition to five divisions. Discussions on the following three are included in this report while the remaining two — Lands and Reclamation — are covered separately:

- □ Forestry - Protects and utilizes state forest lands to generate income for the school trust. This division, headquartered in Missoula, was recently transferred from the Department of Natural Resources and Conservation. It operates bureaus for Forestry Assistance, Forest Management, Forestry Planning, and Fire Management in close coordination with the Field Operations Division.

- □ Field Operations - Provides day-to-day management of state lands through six field offices. Major functions include fire protection, reforestation, timber sales, range management and rèclamation.

- □ Central Management - Offers support services through five bureaus: Accounting and Fiscal, Personnel, Air Operations, Trust Records, and Training.

The Department of State Lands has outstanding leadership and a very capable staff who have already made substantial management improvements. The management by objectives program is very effective. However, there is no formal performance appraisal system and manual record procedures are inefficient. Also, a recent reorganization created some duplication of support service locations.

Recommendations

232. Develop a centralized, automated records management program.

Time-consuming manual retrieval procedures are necessary to gather data from the department's extensive records. Because information is hard to locate, revenues are lost. Also, the files require a significant amount of storage space.

To solve similar problems, various divisions have acquired data processing equipment to simplify and speed operations. However, systems are incompatible. Although a Data Processing Advisory Committee has been established to develop a long-range plan, the current schedule to develop a unified system is not progressing rapidly enough.

To correct these deficiencies, the development of a centralized automated records management system should be expedited. To accomplish this:

- □ The frequency of the advisory committee's meetings should be increased so design priorities as well as development and equipment costs can be aggressively identified.

- □ A planning coordinator should be appointed to investigate other available systems, ensure compatibility, and coordinate all division requirements.

- □ Monthly progress reports should be issued.

- □ System development funding of approximately $250,000 should be approved.

- □ A two-year completion goal should be established.

Implementation will end fragmented data processing efforts. When operational, the new system should free half the current record storage space for other purposes. In addition, it will provide information that will generate a total annual income of approximately $410,000.

233. Enact legislation to guarantee access rights to state lands.

A number of state lands are inaccessible without trespassing on privately owned property. Since the state has no legal right to demand access, it must be negotiated. Although satisfactory agreements are often secured, isolated landowners have been uncooperative. In one instance, the state lost $100,000 because it was prevented from harvesting and removing state-owned diseased timberland.

To avoid future losses, legislation should be enacted to ensure access rights for specific activities. The state should compensate the landowner for any inconvenience and damage while care should be taken to avoid disturbing private property. Implementation will help guarantee more efficient land management.

234. Implement an employee performance appraisal system.

Employee performance is not well documented because the department lacks a uniform appraisal system. This limits management's ability to identify deficiencies as they develop, then take corrective actions.

To strengthen human resource management, the department should follow the existing policies outlined in the *Montana Operations Manual*. In addition, the personnel officer should develop a performance appraisal system based on job descriptions and responsibilities as well as department goals and timetables. Once established, the system should be applied annually so employees can be kept informed on job performance. Implementation of this recommendation will improve accountability and increase employee productivity.

235. Consolidate support services.

Transferring the Forestry Division into the Department of State Lands has created duplicate central services functions because a General Services Bureau is still operating in Missoula. Currently, duplicate bill processing and fee collection procedures exist causing undue delays and confusion. Also, purchasing requisitions are often late because they are submitted and approved in different locations.

To increase efficiency, these parallel administrative activities should be consolidated in the Central Management Division. Installation of a $5,000 computer terminal will improve operations. Consolidation will permit eliminating a bureau chief and two additional administrative positions. This, plus a reduction in travel costs, will amount to a $63,000 annual saving.

Reclamation Division

This division administers reclamation laws and regulates mining activities. The fiscal 1982 budget of $7.4-million, including $6.9-million in federal funds, supported 29 employees. The administrator supervises four bureaus: Hard Rock Mining, Coal and Uranium, Open Cut Mining, and Abandoned Mine Reclamation. An eight-member team has recently been transferred to this division to develop environmental impact statements for proposed mining operations.

The Reclamation Division has not been included in department reorganization plans because the Legislature is considering its transfer to the Department of Natural Resources and Conservation. The resulting uncertainty has generated low employee morale. In addition, the turnover rate is high, principally because of non-competitive salaries. License fees and bond limitations are also outdated.

Recommendations

236. Integrate Reclamation Division activities into the department's field operations.

Most division inspectors are centrally located in Helena. Since they travel frequently to mines, this inflates travel expenses and delays response time when problems arise.

To reduce travel costs and improve employee productivity, a decision should be made to integrate division inspections into the field operations of the Department of State Lands. To accomplish this, the following actions are required:

- Reassign two mine reclamation inspectors in the Hard Rock Mining Bureau to the land office in Billings and one to Missoula.
- Relocate the six inspectors from the Coal and Uranium Bureau to Billings.
- Move two Abandoned Mine Reclamation Bureau inspectors to the field — one to Billings and one to Missoula.

The bureau chief and a core staff as well as the Environmental Impact Team should remain in the division offices to coordinate work with other state agencies. One-time implementation will cost about $20,000 to relocate personnel. However, travel expenses will be reduced by 30% for an annual saving of $66,000.

237. Increase staffing in the Abandoned Mine Reclamation Bureau.

This bureau administers a federal program to identify, schedule and coordinate reclamation activities in abandoned coal and hard rock mining locations. The program's inventory phase is complete and a grant for 18 reclamation projects was recently approved. However, the current staff cannot manage the increased work load because each project's costs must be administered separately and frequent on-site inspections are required.

To enable the bureau to properly meet these commitments, one additional mine inspector and one office manager should be hired. The federal grant contains funds for both positions but legislative authorization has not been received. Implementation will ensure program compliance for a $43,000 annual cost in federal funds.

238. Increase mining permit and license fees.

The division issues and renews permits for mine exploration and operation. This requires considerable processing time and on-site inspections. As a result, current charges fail to recover operating costs. Therefore, the fee schedule should be increased accordingly. The Small Miners' Exclusion Permit, currently issued free of charge, should cost $25. Operating permit applications and renewals should be raised from $25 to $50, while exploration license fees and renewals would increase from $5 to $25. All Open Cut Mining Bureau renewal fees should be increased to $50. Also, Coal and Uranium Bureau renewal permits should be set at $50 and new coal mining applications increased from $50 to $100. While most permits are issued for a five-year period, implementation will increase annual income by $33,000.

239. Increase reclamation bond requirements for open-cut mining.

Open-cut miners are required to post a $1,000 per acre bond to cover reclamation costs if they default. Since the current cost may be as high as $14,000 per acre depending on location, the bond is inadequate. To protect the state from financial loss, legislation should be enacted to set bonds at a realistic cost recovery level for each specific mining area.

Lands Division

Land placed in trust to provide funds for the state's schools are administered by this division. Activities include selling mineral and timber rights as well as developing and leasing lands for agricultural and livestock production. The $843,000 fiscal 1982 operating budget supported a staff of 16 plus two vacancies. The administrator supervises a geologist and the following four bureaus:

- Resource Development - Promotes revenue producing projects and files water rights claims.

- Land Management - Processes right-of-way applications, reviews land exchange proposals, and issues permits for home sites and landfills.

- Surface Leasing - Manages grazing and agricultural leasing programs for the state's 20,000 land tracts.

- Mineral Leasing - Processes and regulates 12,000 agreements covering state-owned mineral rights, primarily for oil and gas.

Management of the state's real estate investment portfolio needs improvement. Lease revenues and penalties are inadequate. Also, there is no field auditing program for mineral royalties.

Recommendations

240. Increase minimum rental fees for grazing lands.

Fees for over four million acres of state grazing lands are lower than comparable private sector charges. This results in a loss of potential income.

To increase school revenues, minimum grazing rental fees should be increased 66%. Also, a more aggressive advertising campaign should be initiated. This could include current figures comparing state and private leasing rental rates for an area. Implementation of these actions will generate additional annual income of approximatelv $3.1-million.

241. Revise the agricultural leasing policy.

Montana's agricultural leasing program is not optimizing income. Using wheat as an example, the state received an average per acre price of $25 compared to $34 for typical private agreements. Also, operational costs are inflated since seasonal personnel are employed to conduct field checks as the basis for developing accurate production figures. Furthermore, revenues are minimized by poor advertising practices.

To increase and stabilize income, a new agricultural leasing program should be instituted. Rentals should be negotiated on a fixed amount based on a projected 30% crop share so the lessee bears some risk of fluctuating market prices. Also, increased advertising should be used to stimulate more competitive bidding.

Implementation will increase annual income on 280,000 acres by $5 per year, generating $1.4-million to support school programs. By establishing a fixed rental, five seasonal workers used to check crop production could be eliminated for a $9,000 annual saving.

242. Divide leased land access privilege and damage payments.

Currently, exploration and drilling companies pay access privilege and improvement fees to surface land lessees to compensate for any damage. However, state revenue is lost as well because acreage devoted to grazing or crop production is reduced and damaged during drilling operations. Therefore, damage and access payments should be divided equally between the state and the surface lease holder. The latter would continue to negotiate damage payment amounts, but funds would be processed in Helena. Implementation will increase annual income by $100,000.

243. Increase penalties for oil and gas drilling delays.

Lessees are given sufficient time to organize operations during the first half of a 10-year lease. If they have not drilled during that time, penalties are assessed. Since drilling delays reduce potential royalty revenues, penalties should be increased from $1.25 to $2.50 per acre for years six through 10. Implementation will produce additional annual income of $1.4-million.

244. Conduct field audits of oil and gas royalty figures.

The school trust fund receives about $9.4-million from oil and gas royalties based on production data. However, no field audits are conducted to determine if producers' claims are valid.

To ensure reporting accuracy, a field audit program should be developed to verify production data. This will require the hiring of two technically qualified auditors at a cost of $51,000 annually. However, a 5% increase in royalty payments will generate additional annual income of $470,000.

Department of Agriculture

Fiscal 1982 Budget: $6-million, including $1.4-million in federal funds.
Positions Authorized: 93.
Positions Filled: 81.
Chief Operating Officer: Director.
Reporting Structure: The director oversees three divisions and reports to the Governor.

The mission of this department is to promote Montana's agricultural interests while managing related licensing, registration and inspection programs. The staff in the director's office concentrates on marketing, information processing and legal services. In addition, a Crop and Livestock Reporting Unit gathers agricultural data for statistical reports. The State Hail Insurance Board, Wheat Research and Marketing Committee, and Alfalfa Seed Committee are attached to the director's office purely for administrative purposes, with board and committee members appointed by the Governor.

Three divisions administer the department's diverse responsibilities. The Plant Industry Division enforces agricultural regulatory laws and licensing programs through its bureaus of Commodity Services, Grain Standards, and Specialized Services. The Environmental Management Division performs required pesticide testing and research through three bureaus — Field Services, Laboratory, and Technical Services — while the Centralized Services Division provides personnel, accounting and inventory support functions.

Although the staff of the Department of Agriculture fulfills its mandated purposes, a lack of coordinated direction has prevented long-range planning activities. Furthermore, the vague reporting relationships hinder job performance.

Recommendations

245. Reorganize the Department of Agriculture.

Although the deputy director is responsible for coordinating internal operations, the incumbent spends much of his time on external matters. Furthermore, division functions often overlap, creating duplication and competition for funds. Marketing responsibilities in particular are fragmented, with reporting lines blurred. Finally, crisis management has replaced long-range planning.

To reorganize functions and improve department cohesiveness, the following measures should be implemented:

- □ Redefine the responsibilities of the director and deputy director. As much as 75% of the director's time should be devoted to external matters, with the remainder used to guide overall operations. Approximately 80% of the deputy director's time should be allocated to strengthening and consolidating internal operations.

- □ Delegate specific supervisory authority to the deputy director, then communicate overall goals to employees clearly.

- □ Consolidate information services, loan programs and marketing functions into a single Marketing-Information Bureau operated by a bureau chief who would report to the director. The Wheat Research and Marketing Committee, the Alfalfa Seed Committee, and the Crop and Livestock Reporting Unit should use the consolidated marketing bureau chief as their department liaison.

- □ Allocate time for long-range planning. An annual retreat for management personnel to review progress and set goals should be held.

These changes will minimize internal confusion by clearly delineating functions and supervisory roles. Long-range planning will make it possible to develop strategies to deal with crises before they arise. Consolidated marketing services will transform various units into an integrated information team enabling reduction of one administrative position for an annual saving of $21,000.

246. Reorganize the Centralized Services Division to consolidate services.

Time-consuming manual accounting and clerical functions are performed throughout the Department of Agriculture while purchasing efforts are duplicated in each division. Also, legal services are poorly organized because no priorities have been established for the attorney. Current manual operations do not take advantage of available computer capabilities, thus wasting many man-hours in processing large volumes of material.

Six sequential steps should be followed to automate and centralize activities:

- □ Shift the responsibility for employee records and notifications regarding sick pay, vacation time and compensation time to the automated central payroll system currently being developed at the State Auditor's office.

- □ Consolidate all department word processing units in the Centralized Services Division.

- □ Program the consolidated word processing equipment to post and retain loan program ledgers for the Rural Development Unit, print form letters, and record and summarize weekly inspector reports for the Plant Industry Division.

- □ Automate the Grain Standards Bureau's accounts receivable.

- □ Utilize man-hours saved to centralize telephone answering, mail distribution, and license and fee accounting functions now performed by the Plant Industry Division.

- □ Use existing staff to implement an in-house proposal to automate the Plant Industry Division's license and registration records and report information. Legal resources should be moved to the Centralized Services Division as well, with the deputy director providing direct supervision.

This series of changes will result in more efficient use of manpower and department computer hardware. Although the process may take a full year, consolidated services will increase productivity. One-time development and implementation costs for hardware and software are estimated at $157,000. Only one staff position is eliminated for an annual saving of $17,000. However, an additional saving will be achieved through the reduction of almost 4,000 man-hours in various positions but no saving is claimed.

247. Update position descriptions and establish a performance appraisal system.

Undefined lines of authority are creating unclear reporting relationships within the department. Furthermore, lack of formal evaluations reduces employee incentives to perform well. Using the procedure outlined in the *Montana Operations Manual*, position descriptions should be reassessed and used to establish appropriate standards for a performance appraisal system. Management should supervise implementation carefully to ensure compliance at all levels.

Updated position descriptions would eliminate confusion by clearly documenting responsibilities and establishing reporting relationships. Furthermore, the performance appraisal system should provide a better understanding of work standards, improve employee motivation, and promote greater effectiveness.

248. Terminate the hail insurance program.

The state hail insurance program was established in 1917 when such coverage was unavailable or excessively expensive for farmers. However, private companies now offer hail coverage. In addition, insurance sales pose a clear conflict of interest to the State Auditor, who supervises commercial insurance firms while serving on the State Hail Insurance Board.

Since the state cannot regulate its own program and the state supplied service is no longer needed, the hail program should be abolished. Hail insurance services should be provided by the private sector or the Federal Crop Insurance Program. Current commercial rates are comparable to those of the state and coverage is generally broader. No significant raise in commercial hail insurance rates occurred when other states discontinued similar programs.

After covering termination expenses, remaining hail insurance revenues would revert to the General Fund for a one-time income of $3.7-million. Elimination of hail board expenses will save an additional $3,000 annually.

249. Change pesticide control regulations to simplify operations.

Pesticide dealers and commercial applicators must pass an examination to obtain a license to sell or use both general and restricted pesticides. However, the program operated by the Field Services Bureau of the Environmental Management Division is time consuming and costly.

To simplify operations in preparation for anticipated federal budget cuts, pesticides presently registered should be reevaluated. Strict controls should be imposed on those that present a demonstrable, significant hazard, but general pesticides deregulated. Restricted products then would be sold only to users with permits while dealers would be required to compile monthly reports on purchasers so violators could be penalized. New regulations would reduce work loads to eliminate three staff positions for a saving of $27,000 in state and $37,000 in federal funds.

250. Transfer pesticide licensing examinations to manufacturers.

Seven specialists in the Technical Services Bureau of the Environmental Management Division spend 20% of their time preparing and updating the licensing examination for pesticide applicators. Their efforts duplicate those of pesticide manufacturers and trade associations. These groups have also developed pesticide training programs and are willing to adapt course materials and examinations to meet state requirements. Their help should be enlisted, with licenses granted to applicants who successfully complete an approved industry training course. Time saving will allow realignment of duties, enabling a reduction of one staff position for an annual saving of $25,000.

Department of Livestock

Fiscal 1982 Budget: $4.4-million.
Positions Authorized: 130.
Positions Filled: 118.
Chief Operating Officer: Board of Livestock.
Reporting Structure: The seven-member Board of Livestock reports to the Governor and supervises two divisions.

The seven members of the board are active livestock producers appointed by the Governor for six-year terms. Dairy, swine and sheep industries each have one representative, while four members have cattle interests. The board establishes policies, approves budgets, negotiates required agreements, and hires division administrators. Almost 85% of the department's operating funds are generated through livestock taxes and fees for inspections, licenses and permits.

Two divisions, Animal Health and Brands Enforcement, receive administrative support from a Centralized Services Bureau. Division administrators exercise joint control over the bureau's seven employees who are responsible for personnel, accounting, payroll, travel claims, purchasing and legal assistance. In addition, the Department of Livestock administers separate Beef and Pork Research and Marketing Committees which are funded by an assessment on sales.

The unique situation created by the board functioning as a department director has not impeded operations. Also, joint division management has been successful. However, cohesiveness is not guaranteed when responsibilities are shared. In addition, dual leadership has hampered long-range planning in data processing and records management.

Recommendations

251. Add a consumer representative to the Board of Livestock.

About 15% of the budget is provided from General Fund revenue to support programs relating to public health and consumer protection issues. For example, the Milk and Egg Bureau administers the school lunch milk subsidy and an egg inspection program to protect consumers. Therefore, a consumer representative should be added to the Board of Livestock. This will ensure public input into decisions concerning health and consumer protection. The cost of an additional member is estimated at approximately $2,000 annually.

252. Eliminate the legal counsel.

The Animal Health Division utilizes approximately 50% of a full-time attorney's time. However, the Brands Enforcement Division pays the Attorney General's office for legal advice on an hourly basis. Animal Health should also contract services, eliminating the need for the staff legal counsel position. If half the salary expenditure were used to fund required legal assistance from the Attorney General, an annual saving of $14,000 will be achieved.

253. Develop long-range data processing plans.

The Department of Livestock has no integrated plan for implementing data processing applications. The Brands Enforcement Division did computerize brand recording using purchased computer time and internal software. However, no firm plans exist in either division to automate other manual procedures. Furthermore, interdepartmental charges reduce the incentive to utilize the state's centralized computer services.

A long-range data processing schedule for implementing applications in all areas should be developed. An integrated, automated system will increase accuracy and timeliness of records and reports, speed information retrieval, assure system compatibility, and prevent unnecessary equipment duplication.

254. Examine the records management system.

The department processes and retains a great volume of reports, certificates and permits. For example, brand enforcement activities involve 800,000 inspection certificates which are retained 15 to 25 years. However, the three operating units have not developed an integrated approach to automation. Therefore, records processing remains manual and time consuming while no systems study has even been undertaken.

A management consultant should be hired to conduct a comprehensive systems analysis of internal and external records flow through processing, storage and retrieval. Resulting improvements in integrated records management will save time and expedite information flow and retrieval. The one-time estimated $20,000 cost for the study will be offset quickly by eliminating two clerical positions for an annual saving of $29,000.

255. Computerize purchasing, inventory and accounts receivable records.

Vehicle and equipment purchase, maintenance, insurance and licensing records are updated manually. In addition, approximately 200 accounts receivable statements are created manually every month and ledgers are updated daily. The process is time consuming and retrieval time is slow.

The Animal Health Division has a word processing system for storing health records. Therefore, time should be allocated to input vehicle and equipment records and to program accounts receivable records for updating and printing ledgers and statements. The 50 to 75 man-hours required to set up these programs could be scheduled at low volume periods. Since the present staff is able to do the programming, costs should be negligible while recordkeeping will be simplified and improved.

256. Automate vacation, sick pay and compensation records.

Manual records listing employee vacation, sick pay and compensation data are updated twice a month. In addition, annual letters and tax information are sent to each employee to validate accuracy. The procedure is time consuming, inaccurate, and requires considerable storage of records.

The Central Payroll Division at the State Auditor's office has a computerized payroll program to accumulate vacation time, sick pay and compensation time records. The program stores this information, then prints employee statements for each pay period. Using this system, the department could free two to three days of one employee's time per month for other tasks. Pro-rata charges have already been assessed for developing the required software.

Animal Health Division

The primary responsibility of this division is to monitor, control and eradicate animal disease. Although 46 positions are authorized, only 39 are currently filled. Almost two-thirds of the $1.5-million fiscal 1982 allocation was derived from earmarked revenue. The division administrator is a veterinarian responsible for three bureaus:

- Milk and Egg Bureau - Over 300 milk and egg production and distribution facilities are licensed and inspected for sanitary conditions. The bureau also provides surveillance for the federally subsidized school milk program and inspects size and quality of eggs at retail outlets.

- Disease Control Bureau - Animal health is monitored and disease controlled by this bureau. Two livestock investigators monitor imports and exports. The chief, a veterinarian based in Helena, is supported by nine other veterinarians throughout the state. A reciprocal testing agreement with the federal government pays for five of the field veterinarians while other bureau funding is derived from a mill-age tax on livestock valuation.

- Diagnostic Laboratory Bureau - The laboratory, located at Montana State University in Bozeman, provides testing support to field veterinarians and performs other public health diagnostic tests.

The Animal Health Division is operating effectively, but it could improve management controls. In addition, fee schedules in two bureaus do not cover operating costs.

Recommendations

257. Abolish unnecessary vacant positions.

Even if vacant, every authorized position increases the tax levied on the livestock industry. Positions of a half-time computer programmer and three veterinarian technicians have been vacant for more than 12 months. This indicates they are no longer needed and should be eliminated. No saving is claimed.

258. License in-house egg graders at retail outlets.

Staff members spend a great deal of time conducting required egg inspections. Bureau inspectors candle 100 eggs of each grade from each producer at major retail outlets every six months. The federal government pays $1,000 monthly for copies of state inspection reports. A program should be implemented to train retail outlet, in-house egg graders to properly complete required reports. The new system will satisfy the law, while decreasing bureau staff time so one employee can be eliminated for an annual saving of $20,000. Federal reimbursements should not be affected.

259. Increase all license fees to a minimum of $25.

License fees have not kept pace with costs. The division's minimum cost to bill, collect and process any fee is estimated at $25. Therefore, fees should be raised to this level as a minimum. In addition, legislation should be enacted to give the department flexibility in adjusting future fees on a cost recovery basis. The increased fee structure will produce $19,000 in additional annual income.

260. Monitor laboratory productivity and automate accounts receivable.

No objective guides are used to measure the productivity of personnel at the Diagnostic Laboratory Bureau. As a result, management has no way to evaluate the quality or quantity of service provided. However, the American College of Pathologists has developed study methodologies and time standards applicable to specific test procedures. A consulting industrial engineer should be hired to generate a productivity monitoring system using these standards. The system will identify problem areas and improve services for a one-time, estimated development cost of $10,000.

Software should also be obtained to automate the laboratory's accounts receivable system to enhance the division's ability to track work loads. This will improve billing procedures, producing a one-time $3,000 income through a reduction in accounts receivable.

261. Revise the laboratory fee schedule.

Almost 50% of the Diagnostic Laboratory Bureau's operating budget is derived from General Fund revenue while only 9% results from fees. The Board of Livestock has established an objective of generating 25% of the total operating budget from fee collection, but now falls $101,000 short of this goal.

Direct and indirect costs should be determined for each laboratory test, with volume monitored on a monthly and annual basis. Resulting information will enable revised fee schedules to accurately reflect actual costs in achieving the targeted revenues. The schedule should not discourage use, but will place financial responsibility on appropriate groups for increased annual income of $101,000.

Brands Enforcement Division

This division's fiscal 1982 budget provided $2.1-million for protecting the livestock industry from theft and predators. An authorized 75 positions with 4 vacancies are assigned to three operating units:

- □ Brands and Records Bureau - Lists 65,000 brands and maintains records on brand lien notices, inspection certificates and bills of sale.
- □ Market-Investigation Bureau - Oversees field operations in two sections. The Field District Section has 18 districts to investigate violations of livestock laws and arrest suspects. The Market Section conducts brand inspections at sale markets, issues licenses, processes horse inspection cards, and compiles market reports.
- □ Predator Control Section - Places emphasis on aerial predator hunting and administers permit system licensing for private aerial hunters.

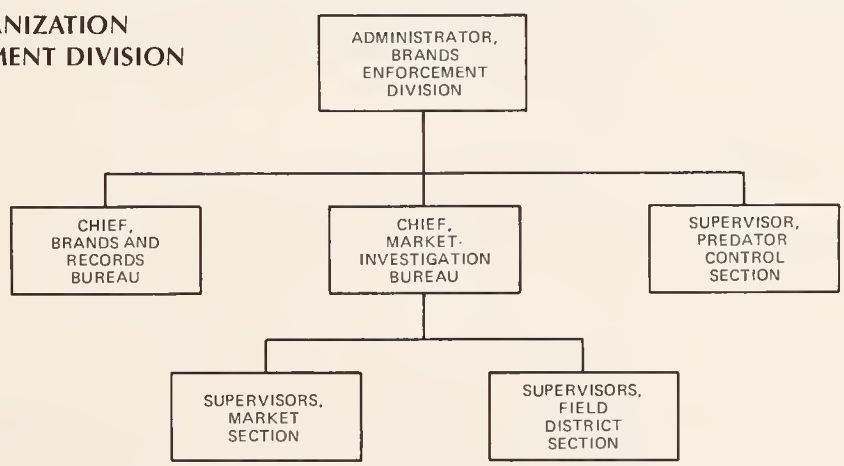
This well run organization has recently made a number of improvements. However, fragmented areas of responsibility are affecting overall operations.

Recommendations

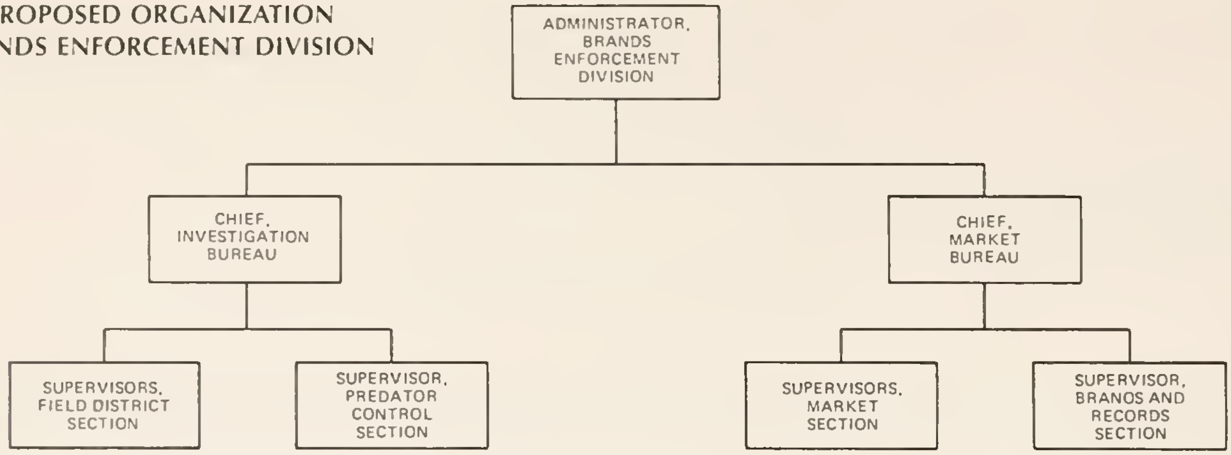
262. Reorganize the division's two bureaus.

Currently, lines of authority are unclear and responsibilities distributed unequally. The present organization is illustrated in the chart shown below. Too much involvement in day-to-day activities dilutes the Division Administrator's overall management capability. In addition, the Market-

PRESENT ORGANIZATION
BRANDS ENFORCEMENT DIVISION



PROPOSED ORGANIZATION
BRANDS ENFORCEMENT DIVISION



Investigation Bureau Chief oversees too many field locations. This position also jointly supervises district inspectors with the Division Administrator, while market inspectors report to an administrative officer in the aviation unit of the Predator Control Section.

The proposed organization, shown above, would establish two bureaus with clearly defined functions. First, an Investigation Bureau responsible for law enforcement issues would be formed from the Field District Section in the Market-Investigation Bureau and the Predator Control Section. Second, a Market Bureau, accountable for coordination and supervision of auction markets and control of records, would consolidate related operations. Reorganization would align the workforce into functional groups without eliminating any positions.

263. Establish staggered renewal dates for brand re-recording.

The present brand re-recording system causes a work load imbalance every 10 years when 65,000 records must be processed. Computerization is simplifying the system in the main office, but difficulties persist at the 17 market locations where brand cards must be updated manually.

A staggered schedule keyed to owner names should be implemented over a 10-year period with a sliding scale of charges to offset new renewal dates. When programming is completed in the central office, card updating in the field should be replaced with a computer printout posted at each market. Any changes would be sent from Helena and new printouts provided quarterly.

Implementation will create a more uniform work load. Eliminating the need to hire three new employees to meet peak demands will provide a saving of $60,000 every 10 years. Manual updating at markets will be more manageable until the automated system is established.

264. Charge for association livestock sales.

About 100 association sales are licensed free of charge annually. License processing requires the same effort as dealer licensing, so a $50 fee should be introduced to cover costs. An additional $5,000 annual income will be collected from the users benefited.

265. Increase the fee for lifetime horse inspection cards.

The $5 fee charged for a lifetime horse inspection card is inadequate. The card is needed by anyone who frequently transports a horse across county lines since it allows the owner to continually ship the horse without any future inspections. Requests have increased dramatically, reaching 1,000 in 1981. Since the $5 fee does not cover costs, it should be increased to $25. Implementation will produce added income estimated at $25,000 annually.

266. Obtain an appropriate share of predator hide revenue.

Currently, the predator control program does not benefit from revenue generated by the sale of pelts taken during helicopter hunts. The Department of Livestock contributes helicopters, including maintenance and fuel, the pilots' salaries, and administrative costs. Federal and county agencies provide logistical ground support. Therefore, an agreement should be negotiated with the federal and county agencies to rebate 50% of the hide revenue. Implementation will produce annual income of about $25,000.

Governor's Council on Management

Physical and Economic Resources

Department of Highways

Fiscal 1982 Budget: $232.2-million, including $102.1-million in federal funds.
Positions Authorized: 1,956.
Positions Filled: 1,821.
Chief Operating Officer: Director.
Reporting Structure: The director reports to the Governor, receives guidance from the Highway Commission, and supervises seven divisions and five district field offices.

The Department of Highways designs, supervises construction, maintains, and regulates the use of Montana's road system. Seven divisions manage operations: Program Development plans short- and long-range highway construction projects; Engineering prepares projects for bidding and oversees construction; Maintenance makes road surface improvements and operates the motor pool; Gross Vehicle Weight conducts licensing and regulatory activities; Personnel hires employees, administers various control systems, and is responsible for department labor relations; Legal offers advice and represents the department in court proceedings; and Centralized Services provides accounting, data processing and clerical support. In addition, five district offices conduct field work.

The department is currently being reorganized. Major changes are helping to reduce problems of poor morale, fragmented supervision, and overstaffing. However, additional measures are needed to ensure stability. A number of manual processes are time consuming, fee schedules are inadequate, and several divisions are poorly organized internally. Inflated inventories, deficient maintenance programs, and an underutilized vehicle fleet also exist.

Recommendations

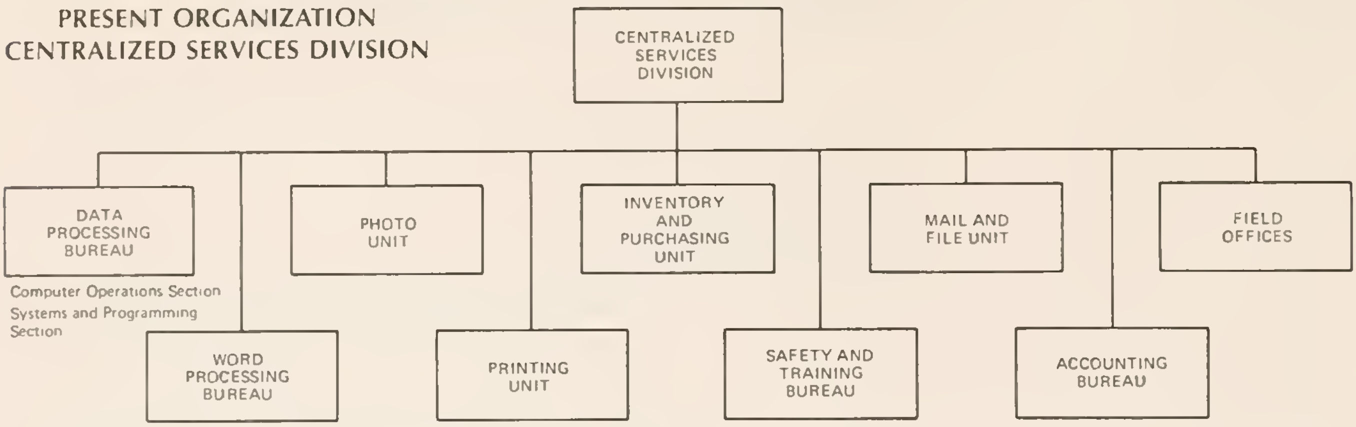
267. Eliminate the Personnel Division.

The Personnel Division has been concentrating its efforts on the current reorganization and subsequent staff reductions. When these actions are concluded, the work load will be dramatically reduced. At that time, the remaining responsibilities should be transferred to the proposed Personnel, Safety and Training Bureau in the Centralized Services Division, and the Personnel Division eliminated.

Five employees should be reassigned to the new bureau. However, the administrative assistant and labor relations specialist positions should be eliminated. The duties of the former would be absorbed by field and bureau staffs while a personnel specialist would assume the analytical duties assigned to the labor specialist. To resolve complex contract disputes, private sector experts should be hired on a consulting basis. Implementation will save $25,000 in state and $21,000 in federal funds annually but consulting costs are estimated at $4,000.

In addition, department-wide staff reductions have diminished the need for safety and training programs. Therefore, four positions in the Safety and Training Bureau — the safety coordinator, staff development position, safety/health specialist, and the administrative assistant — could be

PRESENT ORGANIZATION
CENTRALIZED SERVICES DIVISION



eliminated. This will result in an annual saving of $50,000 in state and $43,000 in federal funds.

268. Reorganize the Centralized Services Division.

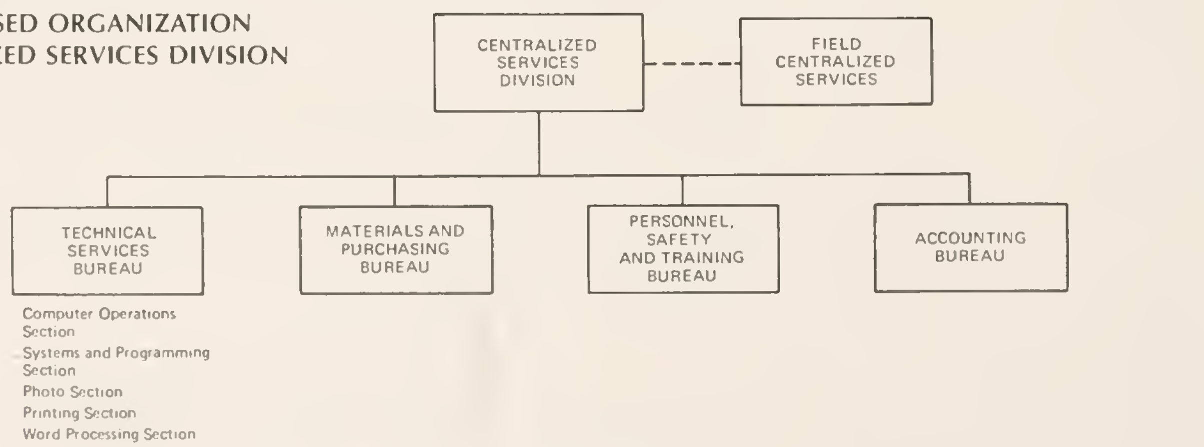
As the present organization chart shown above depicts, too many activities report directly to the division administrator. These include four bureaus, four service units, and five field offices. Currently, the incumbent also serves as the head of the Accounting Bureau. A reorganization effort now in progress would place field office managers under the supervision of district engineers.

The proposed reorganization illustrated directly below would align related functions clearly and clarify supervisory lines of authority. Implementation would require the following changes:

- ☐ Upgrade the Data Processing Bureau to a Technical Services Bureau. In addition to the existing Computer Operations plus Systems and Programming Sections, the Word Processing Bureau and the Photo and Printing Units would become sections assigned to this bureau.

- ☐ Create a Materials and Purchasing Bureau from the Inventory and Purchasing Unit.

PROPOSED ORGANIZATION
CENTRALIZED SERVICES DIVISION



- □ Establish a Personnel, Safety and Training Bureau to absorb Personnel Division functions.

- □ Transfer the Mail and File Unit to the Department of Administration.

- □ Promote the assistant chief accountant to head the Accounting Bureau so the division administrator will be relieved of the dual assignment.

- □ Assign functional control plus hiring and rotation of field office managers to the division administrator.

This new organization will allow a career ladder for personnel in Centralized Services and provide improved effectiveness.

269. Centralize film processing and photographic services.

Equipment and personnel in the Photo Unit of the Centralized Services Division are underutilized. However, other state agencies spent over $362,000 in 1981 for contracted film processing and specialized services including aerial or graphic photography.

To reduce expenditures, all state agencies except the Publications and Graphics Division of the Department of Administration should use the film processing, printmaking and photographic services of the Photo Unit. To accommodate this increased work load, an additional photo technician and two major equipment items will be needed. The one-time cost will be $21,000 while an estimated $137,000 will be added yearly for salaries and materials. However, implementation will eliminate expenditures of about $362,000 annually.

270. Construct a fireproof Photo Unit storage area.

The Photo Unit stores valuable negatives, prints and film including some irreplaceable items. To provide necessary protection, a fireproof storage area should be constructed. Implementation will require a one-time cost of approximately $6,000 in state and $4,000 in federal funds.

271. Improve inventory control.

The Centralized Services Division lacks an efficient inventory management system. This has resulted in overstocking, obsolete supplies, inconsistent reordering patterns and increased costs. A recommendation to reorganize this division replaces the Inventory and Purchasing Unit with a Materials and Purchasing Bureau. This bureau should improve inventory control by adopting the following changes:

- □ Replace the inventory control manager position with an experienced chief for the proposed Materials and Purchasing Bureau.

- □ Create a team to develop a new materials and inventory management system. Team members should include the bureau chief, one maintenance advisor, one accounting advisor and a data processing analyst. The system should be coordinated with maintenance and equipment programs now being developed so future purchasing will be accurately based on anticipated needs.

- □ Grant authority to the bureau chief to issue purchase orders up to $10,000 so prompt delivery will be achieved and overstocking avoided.

- □ Review the Department of Highway's inventory periodically and dispose of obsolete items.

Information system development will require a one-time cost of $25,000 and an annual operating cost of $5,000. However, implementation will reduce future inventory requirements by 20% for an annual saving of $2.7-million.

272. Modify contractor payment procedures.

The Centralized Service Division's contractor payment procedure requires the state to borrow money pending reimbursement by the Federal Highway Administration (FHA). Approximately 12 days elapse between contractor payments and receipt of FHA funds. Causes include slow month-end accounting procedures and late field quantity estimates.

To synchronize contractor payments and FHA reimbursements, the following modifications should be instituted:

- □ Install an FHA billing cycle to coincide with bimonthly contractor payments.

- □ Increase timeliness of field estimates of contractor charges for the current period.

- □ Establish specific payment terms for contracted work.

- □ Adjust billings immediately after month-end accounting is completed.

Contractor fees will increase by approximately $72,000 annually to compensate for a shift in payment schedules. However, improved processing will save $541,000 annually in interest on borrowed funds.

273. Implement selected performance audit recommendations.

A recent performance review conducted by the Office of the Legislative Auditor resulted in a series of recommendations for the Department of Highways. Adoption of selected ones concerning preconstruction, acquisition, and disposition of right-of-way property, plus construction bid procedures and controls would be worthwhile and should be seriously considered.

274. Increase encroachment permit fees.

The highway right-of-way encroachment fee schedule does not recover the cost of administering, supervising, inspecting and enforcing the permit program. Therefore, the permit fees for outdoor advertising, utility company pass throughs, driveways and the like should be raised to cover operating expenses. Implementation of this recommendation will increase income enough to eliminate the current annual shortfall of approximately $418,000.

275. Centralize right-of-way acquisitions.

A decrease in highway construction has reduced the department's work load. This trend is expected to continue because emphasis has shifted from constructing new roads to resurfacing and maintaining existing ones. Therefore, the staff of 40 involved in right-of-way acquisitions is too large. Also, the use of five separate offices throughout the state diminishes efficiency.

To streamline operations, right-of-way activities should be centralized in the Engineering Division while current field offices should continue operation with minimal staffing. Local representatives would provide initial contacts, then a team from the central office would complete most acquisition work. New right-of-way agents would be uniformly trained at the central location. Senior representatives could be rewarded with field assignments requiring less travel. Implementation will increase travel expenses by approximately $38,000 in state and $32,000 in federal funds annually. However, eliminating 15 field office positions will produce an annual saving of $183,000 in state and $149,000 in federal funds.

276. Consolidate related appraisal and acquisition activities.

Efficiency in the Engineering Division's Right-of-Way Bureau is diminished because too many small sections manage related appraisal and acquisition activities. Five sections — Audit, Property Description, Plans, Land, and Permits — each have separate supervisors for three or fewer employees. Consolidating them in a proposed Administrative Section will strengthen supervision and integrate operations. After employees are cross trained, four positions will be eliminated for an annual saving of $47,000 in state and $37,000 in federal funds.

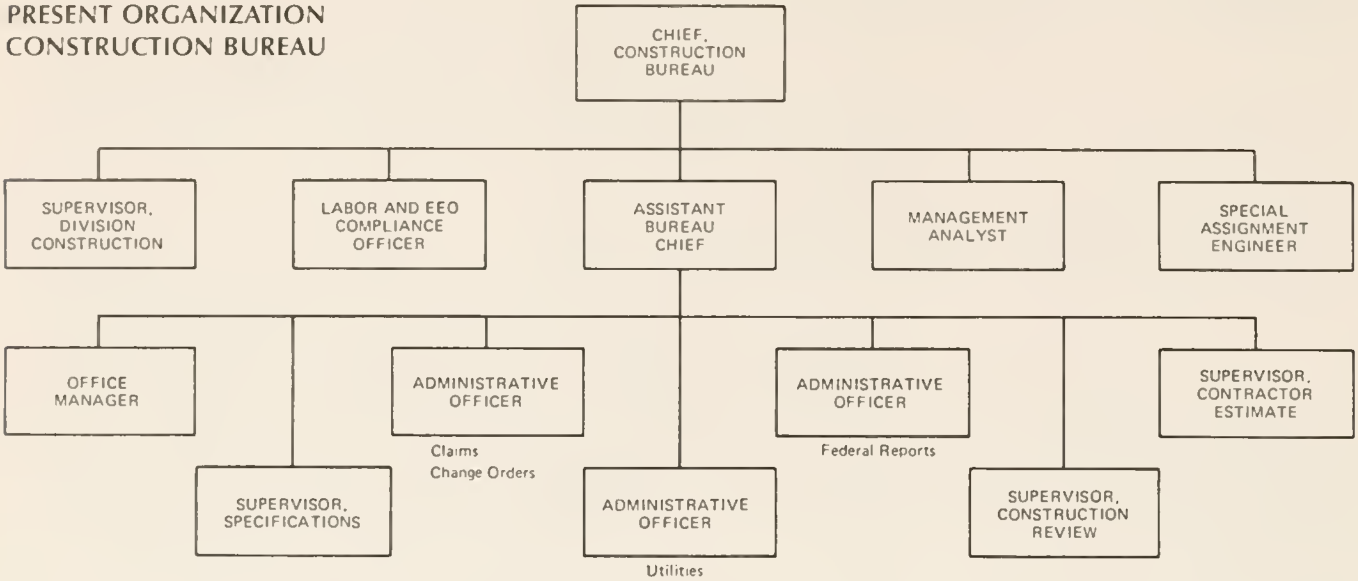
277. Eliminate the Preconstruction Bureau's Consultant and Safety Design Section.

This group, in the Engineering Division, had a heavy involvement in the design of Montana's interstate highway system. Since their work is nearly complete, the section should be eliminated. Remaining design activities should be reassigned to the Location and Road Design Section while safety projects can be absorbed by the Traffic Unit or Field Engineering. Also, environmental studies should be transferred to the Engineering Specialties Section. Implementation will eliminate 12 positions for an annual saving of $166,000 in state plus $130,000 in federal funds.

278. Reorganize the Construction Bureau.

The bureau's organizational structure is overly complicated, resulting in fragmented activities. As shown by the top chart on page 114, the Construction Bureau Chief has line authority over the Division Construction Supervisor, a Labor and Equal Employment Opportunity (EEO) Compliance Officer, Assistant Bureau Chief, Management Analyst, and a Special Assignment Engineer. In turn, the Assistant Bureau Chief supervises seven administrative positions: an Office Manager; Specifications Supervisor; three Administrative Officers in charge of claims and change orders, utilities, and federal reports; and Construction Review and Contractor Estimate Supervisors. This requires a heavy involvement with day-to-day details and limits planning capabilities.

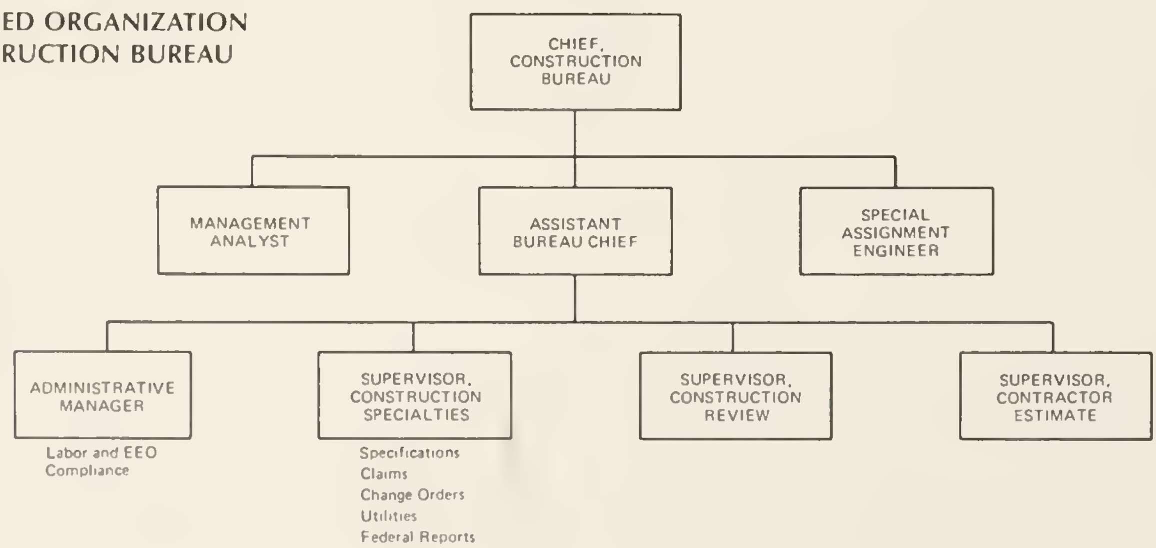
PRESENT ORGANIZATION CONSTRUCTION BUREAU



To strengthen control over internal activities, the simplified structure which is depicted below should be implemented. Here, only three subordinates would report to the Construction Bureau Chief. The Division Construction Supervisor would be eliminated by assigning the duties to the field. The Labor and EEO Compliance Officer should be transferred to a new Administrative Section along with related activities. The functions of the Management Analyst and Special Assignment Engineer would remain the same.

Activities directed by the Assistant Bureau Chief would be consolidated into four groups. The Office Manager would be upgraded to Administrative Manager to reflect broader responsibilities. A Construction Specialties Section should be created to combine the work of the Specifications Supervisor and three Administrative Officers in charge of claims and

PROPOSED ORGANIZATION CONSTRUCTION BUREAU



change orders, utilities, and federal reports. The Construction Review and Contractor Estimate Sections will be unchanged.

This reorganization of the Construction Bureau will clarify supervisory responsibilities and allow the Assistant Bureau Chief to concentrate on providing management guidance. Elimination of one position will result in an annual saving of $20,000 in state and $16,000 in federal funds.

279. Increase maintenance cost accountability.

Operating costs are seriously underestimated because the Maintenance Division's accounting system does not include basic rent and equipment charges at separate facilities. This makes it impossible to compare state-run with privately contracted options. In addition, all division repair costs are based on actual clock time. Since no established standards are used to evaluate employee output, productivity may be low. To increase accountability, the Maintenance Division should employ the following modifications:

- Determine rent and equipment costs so the charges at each maintenance facility reflect all operating costs.
- Install a flat rate charge system for all routine repairs based on accepted estimates. In-house standards should be established for common operations if no flat rate estimates are available.
- Maintain lost time records.
- Schedule shop time and adjust staffing based on the flat rate, lost time and efficiency information required.

Implementation will increase productivity, improve cost accountability, and create a more predictable workflow.

280. Reduce the vehicle fleet.

Monthly usage reports for the last year indicate the vehicle fleet is underutilized. Personnel cutbacks throughout the department have already diminished transportation needs. Since construction projects are also decreasing, further reductions in usage are anticipated.

To reduce the fleet, shared vehicle use between divisions of the Department of Highways should be encouraged and the following vehicles eliminated: 75 passenger cars and light trucks; 38 dump trucks; 35 motor patrol units; and 67 loader units. Sale proceeds will produce a one-time income of about $620,000. In addition, the annual saving in reduced operating, maintenance, replacement and insurance costs will total approximately $1.1-million.

281. Increase efficient vehicle use in the motor pool.

The state's motor pool rental operation, managed by the Maintenance Division, has too large a fleet. On the average, 80 of the 200 vehicles assigned are idle each day. In addition, the motor pool has no reservation system. To increase efficiency, the 80 underutilized vehicles should be sold.

Simultaneously, a reservation and vehicle control system should be installed. Commercial rental forms could easily be adapted by the pool in order to schedule usage and maintenance as well as predict seasonal demands. Also, the minimum daily charge should be raised from $5 to $25. Implementation of this proposal will discourage unnecessary use, ensure appropriate planning, and produce a one-time sale income of approximately $200,000 plus an annual replacement and insurance saving of $213,000.

282. Reduce the inventory of automotive parts and supplies.

A significant portion of the Maintenance Division's automotive parts and supplies inventory consists of a one-year or more stock of tires, tubes and the like. The inventory is inflated to avoid purchasing delays.

To reduce this investment, automated inventory reports should be analyzed and purchase orders expedited to reduce the current non-fuel portion of the inventory by 15%. A smaller vehicle and equipment fleet recommended elsewhere will reduce these needs further. Implementation will produce a one-time saving of $129,000.

283. Begin a protective painting program.

At least 89 bridges and other structures are deteriorating because the Department of Highways has not applied protective paint for 12 years. A six-year painting cycle for these structures should be initiated immediately. Implementation will extend the useful life of each bridge and structure by 25 to 35 years. The protective painting program will cost an estimated $47,000 in state and $36,000 in federal funds annually. However, one-time replacement costs in excess of $46-million will be avoided although no saving is claimed.

284. Study maintenance benefits of seal coating.

Approximately $9-million is spent annually on patching and overlaying Montana's highways. Nevertheless, roads are deteriorating so rapidly that additional maintenance fund requests are anticipated. Most work is reactive while little preventive maintenance is performed.

As part of the effort to extend useful highway life while reducing maintenance costs, a study should analyze potential benefits of a comprehensive seal coating program. Estimates indicate this procedure extends useful highway life by five to seven years at a cost of $7,000 to $10,000 per mile while overlaying expenditures are $50,000 to $100,000 per mile. The study will cost approximately $14,000 in state and $11,000 in federal funds. However, implementation could ensure better road surfaces at reduced costs.

285. Revise the Gross Vehicle Weight Division's fee and fine schedule.

The current fee and fine schedule, last revised in 1967, is outdated. It fails to discourage overweight operation while heavy equipment traffic does not contribute its fair share for road repairs. Since abuse decreases the useful life of Montana's roads by an estimated 5%, a new fee and fine schedule should be adopted to reflect current costs and prevent overweight abuse.

A 15% fee increase should be coupled with a 100% rise in oversize and overweight permit charges. Special charges relating to weight per axle and miles traveled should also be considered. Rules addressing static and dynamic axle loads should be adopted and strictly enforced, particularly during hot weather. Implementation of this proposal will save $2.8-million in state and $2.3-million in federal funds in yearly maintenance costs while fee increases will generate an additional $3.1-million in annual income.

286. Discontinue overweight tolerances.

Currently, vehicles within a 7% overweight tolerance may purchase a $10 permit to proceed to the next facility where the load can be adjusted. Also, farm commodity vehicles within a 50 mile radius of the harvest field are allowed a 20% tolerance. However, 7% and 20% single axle overweight vehicles cause 34% to 101% more road damage respectively, while tandem axles increase damage by 17% and 70%.

Existing tolerances should be discontinued to protect the highways while violators should be charged severe penalties. Implementation will increase useful highway life by approximately one year, avoiding as much as $211-million in maintenance over the next 20 years. However, no saving is claimed.

287. Improve scale maintenance.

A private firm services and repairs weigh station scales. Lengthy delays and considerable mileage costs result because of the distances repairmen must travel. Also, while scales are broken, load limits cannot be enforced. This increases potential highway damage.

To reduce the number of repairs, two "roving" enforcement officers should be trained to perform routine scale service and notify the contractor when serious defects are observed. This preventive maintenance should be coordinated with the Weights and Measures Bureau in the Department of Commerce so scale accuracy could be verified as well. The one-time training cost will be $3,000. However, potential maintenance costs will be avoided for a $6,000 annual saving.

288. Eliminate the Gross Vehicle Weight Division's assistant administrator.

Two bureau chiefs report to the division administrator through an assistant. The middle layer of supervision is unnecessary. Implementation of this recommendation will eliminate the assistant administrator's position and provide an annual saving of approximately $17,000 in state and $13,000 in federal funds.

289. Automate truck permit accounting procedures.

The Gross Vehicle Weight Division collects interstate truck permit fees prorated by weight and distance. Prorate fee accounting currently requires a series of duplicate, time-consuming manual procedures.

A computer program should be designed to simplify and speed processing. Implementation will allow elimination of one part-time clerical position for an annual saving of $7,000.

290. Automate permit accounting procedures.

The present permit accounting system in the Gross Vehicle Weight Division requires a series of time-consuming manual operations. To simplify processing, a computer program should be developed to review and balance permit accounting information automatically. Implementation will reduce staff time, eliminating one clerical position for an annual saving of $14,000.

291. Conduct a biennial Enforcement Bureau training program.

Field officers are notified of new rules and policies by mail, then area supervisors provide follow-up training and review. However, inequities and confusion result because local interpretations vary. Therefore, the Enforcement Bureau in the Gross Vehicle Weight Division should develop a centralized training program to eliminate these problems. Field officers would be required to attend a one-week session every two years to update their knowledge.

Implementation of this proposal will cost approximately $4,000 in state and $3,000 in federal funds annually. However, the program will ensure the application of more uniform law enforcement and strengthen morale.

292. Study the need to arm field officers.

Enforcement activities of the Gross Vehicle Weight Division officers sometimes evolve into tense situations. A significant morale problem has developed because field personnel feel unsafe and wish to be armed. However, management opposes the suggestion.

The problems of officer and public safety, potential department liability, and self-defense training programs should be studied. This will help alleviate discontent and provide a sound basis for improving the safety of employees.

293. Reduce projected field office staff requirements.

Current reorganization plans consolidate 11 field districts into five but only reduce the office support staff by six employees. With minor exceptions, present staff at the remaining five offices can handle the added work load. Therefore, an additional six office manager and six payroll clerk positions will be eliminated, producing an annual saving of $245,000.

294. Reassign inventory stockmen to the district supervisors in the Centralized Services Division.

In the proposed district office reorganization plan, inventory stockmen would report to maintenance supervisors. However, significant improvements in inventory control were made during the last year when stockmen reported to field office managers. To continue the benefits realized by avoiding duplicate supplies and reducing costs, all district and area stockmen should continue to be assigned to their Centralized Services Division district office supervisors. Implementation of this recommendation will greatly strengthen management control, thus encouraging reduced inventory levels.

Department of Revenue

Fiscal 1982 Budget: $120.8-million, including $900,000 in federal funds.
Positions Authorized: 1,010.
Positions Filled: 917.
Chief Operating Officer: Director.
Reporting Structure: The director reports to the Governor and supervises nine divisions.

The Department of Revenue administers tax programs, operates the state's liquor enterprise, assesses property, and investigates welfare fraud. The director supervises two deputies and the administrators of two major divisions — Liquor and Property Assessment. The deputy directors oversee activities in seven other divisions. One is in charge of the four tax divisions — Income Tax; Natural Resource and Corporation Tax; Motor Fuels; and Miscellaneous Tax. The second deputy supervises the following three staff divisions:

- □ Research and Information - Develops and supports department-wide data processing systems needs.
- □ Legal and Enforcement - Investigates welfare and Medicaid fraud, enforces child support obligations, and provides legal services.
- □ Centralized Services - Manages accounting, personnel, payroll and other required support functions.

These three divisions are discussed here while Liquor and Property Assessment are addressed in subsequent reports. Another section entitled Operations discusses the four tax divisions.

The department's support service agencies are well run and generally efficient. However, enforcement activities are hampered by heavy case backlogs. Also, no cost/benefit analyses are conducted to justify data processing system proposals.

Recommendations

295. Initiate cost/benefit analyses on proposed systems developments.

The department does not have a formal system for evaluating the cost/benefit of new systems development or enhancements. Therefore, authorizations are made and priorities established without sufficient information.

To ensure optimum effectiveness, the department should require a cost/benefit analysis for each proposal. Before approval, the net program saving should be compared to alternative investments. Implementation will improve planning and give priority status to high return proposals.

296. Increase the investigative staff in the Welfare Fraud Bureau.

The number of required investigations in the Legal and Enforcement Division's Welfare Fraud Bureau is increasing. Many cases are backlogged, allowing inefficient use of state funds to continue. To solve this problem, three additional investigators should be hired at an estimated annual cost of $90,000. However, the increased annual income to be attained will be about $135,000 since each investigator normally saves $1.50 for each support dollar. Furthermore, fear of discovery diminishes the number of improper claims.

Since increased staffing will discourage criminal activity, a 2% reduction in the welfare cost will be anticipated. Prevention of potential fraud could save $2.2-million annually but is not claimed. Therefore, a vigorous implementation effort is encouraged.

297. Restructure the Child Support Enforcement Bureau.

This bureau in the Legal and Enforcement Division locates absent parents and enforces legal obligations for financial support. The federal government pays approximately 75% of the cost of this service in exchange for a share of collections. Despite federal support, the program is not cost effective. Of the 12,000 cases on file, only about 1,500 are paying support on a regular basis.

To maintain services and reduce expenses, the following measures should be implemented:

- Combine program services and support payment activities into one Administration Unit, eliminating five positions.
- Reduce staffing in each of the four field offices to one investigator and one administrative assistant. Field offices would report to a new Investigation Unit headed by an attorney. Consolidation will eliminate an additional 17 positions.
- Purge the files of inactive and closed cases, then concentrate on an estimated 4,000 cases offering a higher success probability.
- Cancel plans for a statewide case management data base. The present system can handle projected needs after proposed changes.

Elimination of 22 positions will reduce office space requirements and operating expenses, particularly data processing, travel and vehicle costs. Revenue losses of approximately $28,000 of state and $67,000 of federal monies, or 10% of total collections, will result. However, the saving in salaries and operating expenses will total $129,000 for the state and $389,000 for the federal government.

Liquor Division

The Liquor Division controls retail beer, wine and liquor sales throughout the state. It operates a network of 75 state-owned retail outlets with 219 authorized employees including 27 current vacancies. The administrator supervises an additional 40 employees engaged in controlling 73 privately operated liquor agencies as well as issuing liquor licenses to taverns, restaurants and the like. The division's fiscal 1982 sales target was $68.2-million. Four bureaus report to the administrator:

- Purchasing - Controls merchandise from the supplier to the Warehouse Bureau. An automated forecasting system is used to purchase approximately $29-million of liquor supplies annually, covering 928 regularly listed and 1,113 special items. Sale prices are set and changed quarterly using legally established formulas.

- Warehouse - Receives and holds merchandise until ordered by state or private retail stores. It ships over 700,000 cases annually.

- Stores - Operates state-owned outlets and supervises private liquor agencies. The state owns private agency inventory and pays owners a 10% gross sales commission.

- License - Controls new liquor licenses, renewals, transfers and temporary permits.

The division faces numerous dilemmas. There is continual debate concerning the quota system used to issue licenses. In addition, state operation of profit-making retail stores creates some conflict. Increased operating expenses, lack of management direction, an uncontrolled inventory, underutilized warehouse space, and costly operating procedures are among the problems that require attention.

Recommendations

298. Abolish the state-owned liquor retailing system.

The state-owned retailing system was originated after Prohibition to control alcohol consumption. However, a gradually expanding emphasis on generating revenue is evident. Currently, the Liquor Division operates under a legislative mandate to return $13-million or 15% of net sales to the General Fund each biennium. Clearly, the profit motive has overshadowed temperance in recent years. However, the division's financial performance has deteriorated since the retail monopoly on table wine ended in 1978. Net profits as a percentage of sales have declined from 21.5% in 1974-75 to the current 12.7% while operating expenses have increased 76%. Therefore, the division is unlikely to meet its mandated goal.

Since the retailing system no longer serves its original purpose and does not produce sufficient profits, it should be abolished. Services should be shifted to the private sector and store inventories sold. However, the state should retain purchasing and warehouse responsibilities because the wholesale business is profitable and decontrol would eliminate existing consumer price protection guarantees. Liquor licensing should be expanded to include retail outlets and jobbers. To avoid changes in excise and license tax laws, the existing 40% markup should be retained and a 10% trade discount offered. Furthermore, the warehouse should no longer ship orders. Instead, purchasers should arrange and pay for private freight service.

Ending the retailing system will produce a one-time income of $11.4-million from sale of inventory and equipment to new operators. Eliminating the Stores Bureau and its staff of 227 plus increasing tax revenues, profits and interest income will generate a total additional income of approximately $3.9-million annually. Significant reductions in central support services could also be achieved but personnel would be needed to expand licensing functions.

299. Phase out the liquor license quota system.

The present quota system for issuing liquor licenses is based on population density. When the system was established, existing licenses were allowed to remain. As a result, some areas have more licensed outlets than should be authorized while the demand in rapidly growing cities exceeds the supply.

A complex, cumbersome procedure is used to issue new licenses when populations grow. Following deposit of a fee ranging as high as $20,000 and extensive bidder screening, an award is made to the candidate who will "best serve" the public. The procedure is subjective. As a result, appeals are frequent, time consuming and costly. In addition, the potential for collusion exists. Once issued, licenses are legally considered personal property. They can be used as collateral for bank loans and can be sold for huge profits. Public discontent with the system has generated a proposal to abolish beer and wine licensing. This would cost the state $2- to $5-million to implement.

To end inequities, a new system phasing out quotas should be installed over a 10-year period. The following step-by-step procedure should be employed in this process:

- Reduce the population factor by 10% each year, gradually increasing the number of city and county licenses allowed.

- Offer new licenses on a bid basis to all qualified buyers who meet legal requirements.

- Charge bidders a non-refundable fee to recover operating costs of the program.

- Allocate license revenues from new licenses annually to existing license holders as compensation for reductions in personal property values.

The quota system should be completely discontinued after 10 years or when no bids are submitted for new licenses. License sale prices should decrease from initial highs of approximately $120,000 to $10,000. Compensating income awards are necessary because the proposed procedure would reduce personal property value to achieve a public goal. However, compensations would cease when each existing license holder receives income matching the cost of the first license sold in a given area. Afterwards, liquor license fees would be fixed at $10,000, or $20,000 in cities with over 10,000 population.

Implementation will gradually return the liquor business to the free market as well as stimulate employment by expanding the restaurant industry. Eliminating the complex licensing system will save approximately $31,000 paid annually for legal services at appeals and hearings. This proposal would also allow the state to avoid costly initiative processes to repeal alcoholic beverage licenses. However, no additional saving is claimed.

300. Delete table wines from the item selection list.

In 1978, table wine sales in grocery stores and pharmacies were legalized. Since then, the volume of these items sold at state-owned liquor stores has been reduced to 4.5% of current dollar sales. However, they account for 15 to 22% of the total store inventory and occupy 20 to 25% of available display space.

To increase productivity and decrease operating costs, table wines should be removed from state liquor stores. Revenues would be unaffected because taxes would continue to be collected and paid by private sector outlets. Eliminating table wines will produce a one-time inventory reduction of $1.6-million. In addition, reduced purchasing and operating costs will save $337,000 annually.

301. Restructure the administrative staff.

The division operates a $68-million yearly business without the services of a financial analyst. Therefore, decisions are made without adequate knowledge of long-range consequences. For example, no staff member was qualified to analyze the benefits of the costly point-of-sale system now being installed. In addition, the assistant administrator has no clearly defined duties.

To improve control and decision making, a financial analyst should be hired and the management analyst position eliminated at no change in cost. Also, the assistant administrator position should be eliminated which will save an estimated $33,000 annually.

302. Abandon the point-of-sale inventory program.

Point-of-sale equipment installation has been in process since 1974. While this project is designed to control inventory costs, progress reports indicate benefits are questionable. Furthermore, costs required to place 40 of the 148 stores on the system are not justified by projected savings. Therefore, the program should be abandoned. Implementation will avoid $759,000 in equipment costs plus $36,000 in annual operating costs.

303. Improve warehouse utilization.

The liquor warehouse was designed for larger storage requirements when the division had a monopoly on wine sales. Now, only one-third of the warehouse space is used. To rectify this situation, the structure should be subdivided so it can also satisfy existing needs of the Department of Administration's Central Stores and Records Management Bureaus. The one-time cost for a security screen to divide the building is estimated at $40,000. However, implementation will achieve a one-time income of $240,000 from sale of the records management building.

304. Accelerate inventory turnover.

The liquor warehouse and retail outlets are overstocked because of poor inventory procedures. Monthly manual counts at each store take too long to be meaningful. Also, store managers have no established criteria for stock turnover. Purchasing practices compound these difficulties by overloading the inventory with slow moving merchandise. In addition, the automated forecasting system issues inaccurate figures which encourage excessive purchasing.

To decrease inventories, specific turnover goals should be assigned to all state-owned and agency outlets. The following modifications should accelerate turnover and meet inventory reduction objectives:

- □ Offer bonuses to managers who meet stock turnover goals.
- □ Test market and track new items for six months before adding them permanently to the selection list.
- □ Adjust the forecasting formula to improve ordering accuracy.
- □ Monitor the selection list more closely to detect and remove slow moving items.
- □ Raise the delisting criteria from 15 to 50 cases per month.
- □ Change the acceptable stock outage level from 0 to 8%.

Suggested turnover goals will decrease store inventories by $4.1-million. Also, reduced ordering volume will cut the warehouse inventory by 25% for an additional $1.1-million one-time saving. The combined one-time saving of $5.2-million will improve cash flow and generate an additional $618,000 in interest income annually by retaining the revenue in the Liquor Division's revolving fund.

305. Reorganize district operations.

Currently, four district managers in the Stores Bureau supervise retail operations throughout Montana. However, each is located in Helena, necessitating long travel times for store visits. Also, district managers are reassigned annually, interrupting continuity. Because of these factors, district managers spend little time on in-store training or merchandising.

To strengthen management direction, the four districts should be reduced to three, then district managers relocated to Missoula, Great Falls and Billings. They should work out of their homes while clerical work should be transferred to Stores Bureau support staff. Furthermore, managers should concentrate their efforts on store operations, personnel training and merchandising. The one-time relocation cost will be $3,000. However, eliminating one manager position will save $25,000 plus reduce travel expenses by $10,000 for an annual saving of $35,000.

306. Convert low volume state stores into agency outlets.

Liquor outlets are graded by volume, with the highest volume stores assigned a 12. Financial analyses are performed periodically to determine assigned grade. At a certain level, low volume stores are converted to agency operation. However, conversions have not kept pace with declining sales and escalating costs.

To increase profits, all state-owned sales outlets graded between seven and 10 should be immediately converted to agency operation. While the costs of agency commissions are estimated at $1.5-million, the saving in salary and operating cost will be about $1.8-million, producing a net saving of approximately $300,000 annually.

307. Change special order procedures.

A special order service was initiated because of the state's monopoly on liquor. When a customer requests a non-standard item, an entire case is bought even though the customer may buy only a single unit. Store managers also misuse the procedure to test market products. In both instances, inventory is burdened with slow moving stock.

To control operations and reduce inventories, a central special ordering system should be designed exclusively for customer use. This should include requirements for a deposit and a one case minimum order. Implementation will eliminate slow moving inventory items for an estimated annual saving of $140,000.

308. Develop a complaint procedure.

Problems go undetected because stores lack a formal customer complaint procedure. One should be developed so complaints can be centrally processed in division offices, then responsibility for corrective action assigned to district managers. Implementation will identify difficulties and improve service.

Property Assessment Division

This division appraises taxable property and ensures uniform county valuations. An $8.4-million fiscal 1982 budget supported 430 employees plus 15 vacancies. The administrator supervises five bureaus for assessing intercounty, personal, industrial, residential-commercial, and agricultural properties.

High administrative turnover has resulted in a lack of clear direction and has generated an employee morale problem. However, a number of positive steps have recently been initiated to strengthen operations. Inadequate certification procedures and a poor timber assessment system were noted. Also, staff assignments for the statewide reappraisal in progress are not appropriate while time-consuming manual processing is required for real and personal property assessments.

Recommendations

309. Centralize property assessment activities in the state office.

In most counties, complex property tax processing and reporting systems are time consuming and involve many manual procedures. Furthermore, the state pays personnel and operating expenses for assessments. Cascade County has installed an advanced computer program for property assessments which has simplified procedures. However, attempts by 14 other counties to automate have resulted in high costs, little equipment compatibility, and few staff reductions.

To increase efficiency and control costs, property assessment activities should be centralized. The following measures are required for implementation:

- Place the Cascade County system, with modification, on the Department of Administration computer so all forms will be centrally initiated and processed.
- Enter all personal and real property data from the 56 counties.
- Employ a staff of 20 to enter data on a regular basis.
- Create an audit and information section to supervise compliance and provide information.
- Use computer printouts for county taxable property reports.
- Retain county assessors at reduced compensation until a constitutional amendment can eliminate their necessity. Transfer existing support staff to the mass property reappraisal program in progress, leaving county offices permanently staffed with only one clerk and required appraisers.

One-time equipment and programming costs are estimated at $289,000 while annual operating costs will be an additional $1.8-million. However, an annual saving of $4.7-million in supplies, equipment and salaries will offset this.

310. Require staff assessor certification.

Personal property assessments vary throughout the state. A lack of training and certification programs for staff assessors causes these inequities and resulting taxpayer appeals. Therefore, the Personal Property Bureau should establish certification standards and initiate a required training program.

The initial one-time training cost for the current staff will be approximately $29,000. Continued training for new employees will require an additional $4,000 annually. However, implementation of this proposal will reduce appeals by ensuring statewide uniformity in assessment procedures.

311. Reevaluate the timber appraisal system.

Outdated timberland assessment methods encourage poor timber management. Valuations are based on the number of trees remaining in a given area. Therefore, clear-cutting produces a tax advantage and reforestation causes assessments to raise.

To solve this problem, a productivity system should be substituted. Since all timberlands must be reevaluated to provide an assessment base, a study should be commissioned to develop a cost/benefit analysis for an appropriate reclassification procedure. The one-time cost is estimated at $15,000. However, implementation will ensure timberland assessment accuracy on a fair basis.

312. Change staff requirements for statewide real property reappraisal.

Over 180 employees are being used to conduct a real property reappraisal in 56 counties. About 70% of the task is clerical, with the remainder requiring an appraiser for on-site valuations. However, staffing patterns do not correctly reflect the estimated work load since clerks and appraisers are being assigned in equal numbers. Also, salaries are too low to attract qualified appraisers.

To correct these deficiencies, 32 appraiser positions in counties with three or more staff should be downgraded from appraiser to appraisal clerk. Salaries of the remaining 25 appraisers in these counties should be elevated two grade levels. Furthermore, the 11 remaining appraisers in counties with less than three appraisers should be promoted to appraisal supervisors. These modifications will improve services at no increased cost.

313. Require a state building permit.

County appraisers use local building permit records to identify new structures for addition to the tax rolls. However, rural construction projects frequently are not subject to permit requirements. This forces appraisers to rely on observation and hearsay.

To ensure identification, a state building permit should be required for all construction. A minimal $5 fee would recover administrative costs while a $50 fine should be levied for non-compliance. Implementation will ensure timely assessments and increase income by $19,000 annually.

Operations

Revenue collection programs in four separate divisions are supervised by the Deputy Director for Operations. The $8.3-million fiscal 1982 budget supported 130 employees plus nine vacancies. Separate administrators manage each of the following division's activities.

- Income Tax - Maintains three bureaus. The Examining Bureau has separate field and office examining sections to audit returns plus a tax compliance section to identify violators. The Withholding Bureau has sections for accounts receivable, examining and general accounting while the Administrative Services Bureau screens returns, manages delinquent tax collections, and stores records.

- Natural Resource and Corporation Tax - Operates two separate bureaus. About 20,000 examinations are conducted by auditors in the Corporate Tax Bureau while coal mine, oil, electrical energy and natural gas producers' returns are examined in the Natural Resource Tax Bureau.

- Motor Fuels - Licenses the purchase and distribution of diesel fuel. It also collects gasoline, gasohol, aviation and diesel fuel taxes.

- Miscellaneous Tax - Administers the state inheritance tax program, processing approximately 5,000 requests annually. Cigarette, store license, telephone company and other tax programs are managed as well.

These four divisions are successfully fulfilling assigned goals. However, responsibilities in the understaffed Income Tax Division are not aligned properly. Inadequate penalty rates are applied. The Natural Resource and Corporation Tax Division's efficiency is reduced because available natural resource data must be manually retrieved. In addition, a complicated organizational structure and excessive supervision hinder operations in the Miscellaneous Tax Division.

Recommendations

314. Increase Income Tax Division staffing.

Because work loads in several sections exceed staff capabilities, opportunities to maximize revenue collections are missed. To reverse this trend, 10 positions — two in the compliance section of the Examining Bureau; two in the collection section of the Administrative Services Bureau; and six in the audit section of the Withholding Bureau — should be added immediately. Implementation will cost approximately $211,000 annually. However, improved efficiency will increase yearly tax collection income by an estimated $2-million.

315. Eliminate the Withholding Bureau in the Income Tax Division.

Currently, Withholding Bureau activities are concentrated on installing a computerized system and removing a case backlog. When both goals are achieved, the work load will diminish significantly. At that time, the Withholding Bureau should be eliminated. The Examining Section should be added to the Examining Bureau, but accounts receivable and general accounting activities should be transferred to the Administrative Services Bureau. Implementation will align related functions, stimulate cooperation, and eliminate one bureau chief position for an annual saving of $33,000.

316. Expand the estimated tax payment requirements.

Currently, Montana law requires self-employed taxpayers to file an estimated tax return but the law excludes farmers and ranchers. Furthermore, penalties are not assessed against those who do not pay. This encourages taxpayers to delay payments until the required filing date. Therefore, the farmer and rancher exemption should be abolished and a penalty established for failure to pay estimated taxes. Implementation will increase timely payments and improve cash flow, generating an additional $1.5-million in annual income.

317. Adopt the federal overdue tax interest rate.

Currently, the interest rate charged on overdue taxes is 9%. This encourages taxpayers to withhold payments because they can earn more by investing funds in high interest bearing instruments. The rate charged by the federal Internal Revenue Service is more realistic and provides an incentive to pay on time. Thus, legislation should be enacted to automatically adopt the current federal rate. Implementation will conservatively increase annual income by $550,000.

318. Increase the Natural Resources and Corporation Tax Division's auditor staff.

This division conducts on-site tax audits of multi-state corporations at their home offices. Each auditor identifies between $600,000 and $1.5-million in underpayments annually. However, a lack of staff prevents annual audits of all candidates. To increase collections, two additional natural resource tax auditors and one corporate tax auditor should be hired. Annual salary and travel costs are estimated at $82,000. However, these staff members will produce a minimum of $1.8-million in additional annual income.

319. Reorganize the Miscellaneous Tax Division.

Supervision in this division is unnecessarily fragmented for a staff of 17. The administrator oversees technical operations while the assistant monitors personnel activities. To streamline operations and emphasize programs, the assistant administrator's duties should be transferred to the administrator and the assistant's position eliminated. An additional bureau should also be created so that one manages inheritance taxes while the second would administer remaining miscellaneous tax programs. No financial benefit is claimed because the cost of a new bureau chief would be offset by the saving realized by eliminating a position.

320. Increase cigarette license fees.

Cigarette license regulatory fees established in 1969 are inadequate. Currently, owners with one to nine points of sale are charged $5 while $50 is assessed for 10 or more locations. The license fee should be increased to a uniform rate of $8 per machine to recover operating costs. Implementation will conservatively generate an additional $8,000 in annual income.

Department of Commerce

Fiscal 1982 Budget: $35-million, including $14.8-million in federal funds.
Positions Authorized: 172.
Positions Filled: 161.
Chief Operating Officer: Director.
Reporting Structure: The director reports to the Governor and supervises five divisions plus the Financial Bureau.

The Department of Commerce promotes and controls economic growth by assisting and regulating business development, managing community assistance programs, and issuing professional and occupational licenses. It is responsible for transportation and aeronautics as well. Organizationally, five divisions report to the director, who also chairs the State Banking Board. The following divisions are covered here while the Aeronautics Division and Financial Bureau are included as separate sections:

- Business and Professional Licensing - Regulates and licenses businesses through Bureaus for Professional and Occupational Licensing, Weights and Measures, and Milk Control plus a Consumer Affairs Unit. The County Printing Board is also supported by this division.

- □ Economic and Community Development - Assists businesses and communities with planning, counseling and research services. It operates the Montana Promotional Bureau for tourism and a Development Bureau that includes a section offering federally funded rental assistance to lower income residents. The Board of Housing reports to this division as well.

- □ Transportation Division - Provides technical, planning and financial assistance to transportation agencies and users through its Litigation and Analysis as well as Planning and Assistance Bureaus. The former offers transportation-related legal assistance and economic analyses while the latter has sections devoted to both community and passenger transit. This division also supports the Governor's Transportation Advisory Council.

- □ Centralized Services - Provides general management support to all branches of the department.

The Department of Commerce, which became operational in July 1981, was created by consolidating three other departments. Some reorganization problems remain, including improperly planned work space, inadequate use of central services, and fragmented organizational units.

Recommendations

321. Remodel the department office areas.

A number of spatial problems are limiting productivity because office interior alterations were not properly planned. As a result, floor space is poorly divided to house only a few employees and some offices are in the traffic pattern between sections. A storage shortage creates clutter as well. Air conditioning and heating is inadequate and use of space heaters creates a fire hazard.

To solve these problems and restore a professional appearance, the offices should be remodeled. A space planner should consider the special needs of office occupants, with redesign work phased in to minimize inconvenience. The cost of modifications to make this building functional is estimated at $560,000. However, morale and productivity will increase significantly while the fire hazard will be reduced.

322. Reorganize staff assignments in the Centralized Services Division.

Little administrative direction is available to the accounting technicians and clerical staff in the Centralized Services Division since the accountant supervisor position is filled by two half-time employees. One performs functions exclusively for the Professional and Occupational Licensing Bureau in another division, while the other has been devoting time to reorganization problems which are now solved. Furthermore, implementation of a centralized payroll system will create additional time savings for the current staff.

Since many functions of the accountant supervisor are no longer required, the position should be eliminated, with any remaining duties assigned to other employees. In addition, all clerical personnel, with the exception of the administrator's secretary, should be placed under the supervision of an accountant. Implementation will improve supervision and productivity while producing an estimated annual saving of approximately $25,000.

323. Hire an additional attorney for the Business and Professional Licensing Division.

This division's legal staff is overworked and unable to complete the assigned work load promptly. Therefore, an additional attorney should be hired. Implementation will cost $28,000 annually but provide the manpower required to accomplish necessary tasks.

324. Centralize word processing functions.

Many bureaus spend time processing repetitive price schedules, correspondence, reports, meeting notifications and other documents suitable for word processing equipment. However, individually they could not justify the cost of required hardware. Therefore, a two-station word processing center should be established in the Centralized Services Division, using equipment with editing and arithmetic capabilities compatible with other state-owned hardware. While the one-time equipment cost will be about $32,000, only two clerk typists will be required for operations. This will reduce the staff by six positions saving $89,000 annually.

325. Improve contract management procedures.

Current procedures for awarding and administering outside service contracts lack proper controls. Contracts over $5,000 are competitively bid and approved by four administrators. However, those under $5,000 are awarded by program directors, who then serve as department liaisons to monitor contractor performance and authorize payments.

To properly segregate duties, a new procedure should be developed for all contracts under $5,000. It would require the signatures of both the liaisons and their supervisors. Furthermore, responsibility for monitoring contracts against terms and payment authorization should be assigned to different individuals. Establishing controls will reduce the possibility of misappropriations while improving delivery of contractual services. Based on industrial experience, a 2% improvement in delivery is conservatively estimated to save $26,000 annually.

326. Reorganize the Professional and Occupational Licensing Bureau.

Lines of communication between the bureau chief and staff members are unclear and fragmented. Currently, the chief attempts to directly supervise approximately 25 people servicing some 27 licensing boards. This span of control is too broad for effective administration.

To clearly identify functional responsibility and provide improved service, the bureau should be reorganized. Three sections should be formed, with one staff member promoted to head each. A proposed Health Section will direct 15 boards licensing practitioners. A Building Section will service seven boards issuing construction- related licenses. Finally, a Miscellaneous Section will manage the five remaining boards.

Implementation will increase supervision as well as enable the bureau chief to provide overall direction and support. The annual cost to upgrade three positions is estimated at $15,000.

327. Transfer milk production licensing operations to the Department of Livestock.

Milk producers must obtain licenses from two separate state agencies — the Milk Control Bureau in the Division of Business and Professional Licensing and the Animal Health Division in the Department of Livestock. These duplicative efforts should be eliminated by transferring the Milk Control Bureau's license function to the Animal Health Division. The current $2 license fee would be added to Animal Health's fee to offset costs. Postage and supplies will be saved through fewer mailings, while increasing clerical time available for other activities in the Milk Control Bureau.

328. Abolish the County Printing Board.

The County Printing Board is responsible for setting maximum prices as well as printing and legal advertising standards for all counties. The board is ineffective and inactive, meeting last in 1979. While state law still requires competitive bidding for printing, 63% of Montana's counties have only one qualified printer. Furthermore, maximum prices set in 1979 are too low to generate bidder interest. Since no evidence exists to indicate the current system results in lower costs, the Legislature should abolish the County Printing Board. Eliminating travel expenses and per diem payments to board members will result in an annual saving of $1,000.

329. Transfer private post-secondary school licensing to the Department of Education.

The Consumer Affairs Unit lacks the expertise to evaluate curricula before licensing private post-secondary trade and professional schools. To integrate related responsibilities, this function should be transferred to the Department of Education. Evaluations will then be conducted by a more qualified staff.

330. Increase licensing fees in the Weights and Measures Bureau.

Approximately 30% of the bureau's work involves consumer protection while the remainder is in licensing. However, outdated license fees only recover 39% of operating costs. To increase revenues, the Legislature should give the bureau authority to set fees so they generate an appropriate 70% cost recovery. Implementation will increase annual income by $120,000.

331. Establish a 50% late penalty charge for overdue weighing device licenses.

The state does not impose a late penalty charge for failure to renew weighing device licenses. As a result, some revenues are not received on a timely basis. By establishing a 50% late charge, the bureau will improve cash flow. However, compliance rather than collections should be emphasized. Implementation will also expedite compilation of a complete list of licensed weighing machines needed to establish annual inspection and testing schedules.

332. Budget special expenses for the Economic and Community Development Division.

Certain entertainment expenses are not covered by the state's per diem guidelines. However, these non-reimbursable items are a necessary part of promoting Montana's economic advantages to a prospective developer. To assist division employees in performing their duties, approximately $3,000 should be funded annually for these special expenses. With the department director's approval, the fund should be used only to support promotional activities not covered by alternate sources.

333. Reassign personnel to assist the Commodities Transit Section in the Transportation Division.

A backlog of work in this section threatens to cause loss of federal program funding if deadlines are not met. To ensure continuation of currently administered programs, personnel from other offices should be temporarily reassigned to assist in eliminating the accumulated work load. Although no monetary saving is claimed, loss of funding would adversely affect the state's transportation system.

334. Merge the Board of Housing and Housing Section into one division.

The Board of Housing staff reports to the Division of Economic and Community Development. However, the groups seldom interact, diminishing management control. Furthermore, the goal of the Housing Section within this division is more closely related to the board's objective to provide shelter to low and moderate income families than to the division's overall mission.

To centralize housing assistance programs, the Board of Housing and Housing Section should merge to become a sixth division within the Department of Commerce. Supervision of the proposed Division of Housing would be assumed by the board's administrative officer. Two sections would be created. The current Housing Section would become the Rental Section, while the Board of Housing's functions would be incorporated in a Mortgage Section. Although staffing will remain the same, implementation will align related functions, establishing clearer lines of communication.

335. Relocate the Board of Housing.

The Board of Housing is located in a separate building leased for over $14,000 annually. To simplify administrative operations, the Board of Housing should be moved to the Department of Commerce building when the proposed remodeling has been completed. Relocation will save an estimated $24,000 annually including duplicate expenses for office and photocopy equipment.

336. Complete the transfer of the Coordinator of Indian Affairs.

The Coordinator of Indian Affairs' staff has been physically transferred to the Office of the Governor. However, the administrative functions and budget continue to be responsibilities of the Economic and Community Development Division. To clearly define accountability and control, legislation should be enacted to authorize completion of the transfer.

Aeronautics Division

Airport development and operations, aeronautical search and rescue missions, and aerospace education are all responsibilities of the Aeronautics Division. This group manages West Yellowstone Airport for six months each year as well. The $750,000 fiscal 1982 operating budget was derived from a $0.01 per gallon aviation fuel tax.

A seven-member Aeronautics Board monitors division activities and provides advice. An authorized staff of 13, including three current vacancies, is supervised by an administrator. Operations are divided between Airport/Airways and Safety and Education Bureaus.

Division members perform their duties effectively. However, several budgetary and staff work load issues need to be addressed. Also, lack of communication between divisions limits planning.

Recommendations

337. Replace the Aeronautics Board with an Aeronautics Advisory Council.

Although it is now primarily an advisory body, the Aeronautics Board meets frequently to monitor division operations. The board recently lost its power to establish commercial air fares for Montana carriers by an Attorney General's ruling. It still has the power to issue industrial revenue bonds for commercial carriers, but none have been sold to date.

To limit this group to an advisory status, the Aeronautics Board should be abolished and replaced by an Aeronautics Advisory Council with the same representation. The new council should meet half as frequently as the board. Implementation will provide the Aeronautics Division with the ongoing services of the council's expert members, while diminishing its monitoring responsibilities. The annual saving in meeting expenses is estimated at $10,000.

338. Coordinate long-range transportation planning.

Separate groups in the Airport/Airways Bureau and the Department of Highways as well as two bureaus in the Transportation Division fulfill planning responsibilities. Because these agencies do not coordinate efforts, the state has no long-range transportation plan. Therefore, a committee composed of air, commodity, passenger and highway transit representatives should be formed to develop such a plan. Recommendations made by the Governor's Transportation Advisory Council should be integrated with this proposal. Implementation will improve transportation services throughout Montana.

339. Raise the aviation gas tax.

The $0.01 per gallon aviation gas tax does not supply enough revenue to recover expenses. Therefore, the division operates without sufficient staff to adequately carry out programs. To protect the aeronautical community from service cuts, legislation should be enacted to raise the aviation gas tax to cover the cost of operating this division, which currently has an annual deficit of $100,000.

340. Establish inventory controls at the aeronautical supply store.

The division sells aeronautical supplies and safety equipment to state airports. However, purchasing and inventory records are inadequate. To ensure correct pricing and prompt reordering, a card system should be employed to record required sales information on each item in stock. A yearly inventory should also be conducted to help determine an appropriate cost factor, with responsibility for the entire system assigned to one individual. While no saving is claimed, implementation will increase efficiency and lower inventory investment by 25 to 50%.

341. Eliminate the part-time file clerk.

There is not enough clerical and administrative work to keep the part-time and two full-time employees busy. For example, the secretary only has a 50% work load. To equalize responsibilities, the part-time file clerk position should be eliminated, with duties assigned to the secretary. The annual saving is estimated at $7,000.

Financial Bureau

To safeguard the public's deposits in state chartered financial institutions, the Financial Bureau routinely conducts on-site bank, savings and loan, and credit union field examinations. In addition, this bureau issues new charters and supervises mergers, consolidations and relocations of banks. The Commissioner of Financial Institutions, who heads the Financial Bureau, supervises 18 positions and reports to the Director, Department of Commerce. The director is chairman of the State Banking Board. Approximately 60% of the bureau's $576,000 fiscal 1982 operating budget was derived from earned income.

The commissioner schedules examinations and manages activities to support the staff of bank and consumer loan examiners. This is a well-managed bureau, with experienced, qualified personnel. However, field examiners are not receiving training in state-of-the-art procedures and techniques, particularly electronic data processing. Performance appraisals are not conducted regularly and overall operations rely heavily on the expertise of the current commissioner.

Recommendations

342. Train a successor to the Commissioner of Financial Institutions.

Since the Commissioner of Financial Institutions has been in charge for many years, he is the only employee who knows how to perform many vital functions such as scheduling of examinations or determining bank ratings. The sudden loss of these services would have a detrimental impact on operations.

To prevent foreseeable difficulties, the vacant supervising examiner position should be filled by a candidate qualified to assume the commissioner's duties. The non-budgeted part-time clerk substituted for this authorized position will have to be eliminated to maintain approved staffing levels. Implementation will ensure a logical successor to the commissioner, while incurring no additional costs since the supervising examiner's position is funded.

343. Establish a satellite office in Billings.

Approximately one-third of the bank examinations are conducted in the eastern portion of Montana. Since all field examiners are based in Helena, unnecessary time is spent traveling to on-site examinations. Travel costs are high and the amount of travel required is the primary cause of employee turnover.

To improve operations, a satellite office should be established in Billings. All administrative support services would be performed in Helena, while the new office would utilize one senior and four field examiners for eastern sector examinations.

Implementation will limit travel requirements, create a more stable workforce, and save over 1,300 examiner hours in reduced driving time. A one-time cost of $5,000 will be incurred to relocate five examiners. The small office space expense is estimated at $1,000 annually. However, lodging and per diem reimbursements will be reduced by $16,000.

344. Set fees to recover operating costs.

State-chartered bank and credit unions pay annual supervision fees and examination charges are levied only when the state conducts an examination. Savings and loan associations pay nothing. All charges are legally established but fail to cover bureau operating costs. During fiscal 1982, this represents an operating deficit of $235,000.

Legislation should be enacted to give the State Banking Board the authority to set supervision and examination fees in order to balance income and expenses. Collection income should be earmarked to support the bureau and provide for development of field examiners. Increased annual income will be $235,000 to offset costs.

Governor's Council on Management

Digest of Recommendations

Digest of Recommendations

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
Office of the Governor			
1. Integrate business-related services under a new Business Administrator.	Executive	Annual Saving	$103,000
2. Establish an operations analysis unit.	Executive		
3. Coordinate interdepartmental program and policy-making efforts.	Executive		
4. Record all contacts with the Office of the Governor.	Executive		
5. Improve state government security.	Executive	One-Time Cost	$ 30,000
6. Implement the recommendations of the Legislative Auditor.	Executive		
7. Improve coordination between legislative and OBPP analysts.	Legislative		
8. Increase departmental participation in budget planning.	Executive		
9. Prepare a cost/benefit analysis for all major appropriation requests.	Executive		
10. Consider adopting the federal fiscal year.	Legislative		
11. Establish a statewide training program.	Executive	Annual Cost	$100,000
12. Reduce the use of private consultants.	Executive		
13. Manage access to personal records.	Legislative		
14. Coordinate the sharing of natural resource information.	Executive		
Department of Administration			
15. Merge the Public Employees' and Teachers' Retirement Divisions.	Legislative	Annual Saving One-Time Saving	$ 84,000 $200,000
16. Transfer forms management from the Publications and Graphics Division to the Purchasing Division.	Executive	Annual Saving	$ 14,000
17. Elevate the Treasury Bureau to division status.	Legislative	Annual Saving Annual Cost	$ 36,000 $ 3,000
18. Establish a lock box system.	Executive	Annual Income	$183,000
19. Expedite deposits to the central account.	Legislative	Annual Income	$267,000
20. Abolish the imprest cash fund.	Executive	Annual Saving Annual Income	$ 17,000 $ 1,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
21. Replace the portfolio management system computer program.	Executive		
22. Eliminate the current ratio test for investments.	Legislative		
23. Change payroll procedures to improve efficiency.	Executive		
24. Monitor and control employee absenteeism.	Executive		
25. Establish a standard job announcement form.	Executive		
26. Eliminate five-year longevity allowances.	Legislative	Annual Saving	$1.7-million
27. Require management personnel to sever union affiliations.	Executive		
28. Develop and implement an employee opinion survey.	Executive		
29. Centralize control over capitol complex photocopy equipment.	Executive	Annual Saving	$190,000
Architecture and Engineering Division			
30. Increase the division's authority.	Legislative	Annual Saving	$150,000
31. Improve project preplanning.	Legislative	Annual Saving Annual Cost	$1.5-million $ 55,000
32. Develop planning guidelines.	Executive		
33. Improve the architect selection process.	Executive		
34. Establish a contractor screening process.	Executive		
Building Codes Division			
35. Consolidate state inspection activities.	Legislative	Annual Saving	$115,000
36. Expand local government code enforcement responsibilities.	Legislative		
37. Assign additional legal staff to code enforcement.	Legislative		
38. Give greater assistance to owner-builders.	Executive		
Computer Services Division			
39. Transfer statewide control of data processing to the Department of Administration.	Legislative	Annual Saving Annual Cost	$837,000 $132,000
40. Establish a Data Processing Steering Committee.	Executive		
41. Restructure the Computer Services Division.	Executive	Annual Saving Annual Cost	$ 58,000 $ 6,000
42. Improve training in data processing skills.	Legislative	Annual Cost	$130,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
43. Investigate all vendors when acquiring or replacing data processing equipment.	Executive		
44. Conduct a cost/benefit study of the word processing text management system.	Executive		
45. Increase use of computer output to micro-fiche capabilities.	Executive	Annual Saving	$160,000
46. Require the Research and Statistical Services plus Consulting Services Bureaus to be self-supporting.	Executive	Annual Saving One-Time Cost	$325,000 $ 60,000
47. Centralize data processing capabilities within one bureau in each department.	Executive		
48. Eliminate intradepartmental billing for data processing services.	Executive		

Accounting Division

49. Increase control over warrant claim payments.	Legislative	Annual Saving	$3.7-million
50. Pay vendors when invoices are due.	Executive	Annual Saving Annual Income	$ 2,000 $730,000
51. Simplify the warrant claim form.	Executive	Annual Saving	$ 23,000
52. Redesign the state warrant.	Executive	Annual Saving	$ 21,000

Communications Division

53. Hire a consultant to develop a long-range communications plan.	Executive	One-Time Saving One-Time Cost	$ 87,000 $ 87,000
54. Delay proposed major systems changes.	Executive		
55. Install IN-WATS service at the capitol complex and university system.	Executive	Annual Saving One-Time Cost	$190,000 $ 96,000

General Services Division

56. Realign capitol security and police functions.	Executive	Annual Cost	$199,000
57. Assign building space management duties to the Department of Administration.	Legislative		
58. Discontinue charging rent in state-owned buildings.	Executive	Annual Saving	$ 16,000
59. Use state employees to provide janitorial service and grounds maintenance.	Executive	One-Time Cost	$100,000
60. Assign grounds maintenance responsibilities to the Department of Fish, Wildlife and Parks.	Executive		
61. Require all departments to use the services of the Mail and Distribution Section.	Executive	Annual Saving	$304,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
62. Improve equipment purchase and disposal procedures.	Executive		
63. Reduce the scope of Surplus Property Bureau activities.	Executive	Annual Saving	$203,000
64. Store all state property and records in government facilities.	Executive	Annual Saving	$ 14,000

Insurance and Legal Division

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
65. Reduce the self-insurance reserve fund.	Executive		
66. Collect insurance program data.	Executive	One-Time Cost	$ 5,000
67. Develop a loss control program.	Executive	One-Time Cost	$ 52,000
68. Distribute an insurance manual.	Executive		

Purchasing Division

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
69. Decentralize the purchasing function.	Executive		
70. Restructure the Purchasing Division.	Executive	Annual Saving Annual Cost	$291,000 $322,000
71. Establish a Purchasing Coordinating Committee.	Executive		
72. Review procurement statutes and regulations.	Legislative		
73. Standardize procurement authorizations.	Legislative		
74. Establish a statewide procurement management reporting and compliance system.	Executive		
75. Develop a computerized inventory management information system.	Executive	Annual Saving One-Time Saving One-Time Cost	$300,000 $100,000 $ 50,000
76. Develop and implement a purchase order and contract administration training program.	Executive	One-Time Cost	$ 50,000
77. Provide more resources to Central Stores.	Executive		
78. Perform an economic lease versus purchase evaluation on vehicle and high-technology equipment procurements.	Executive	Annual Saving	$ 75,000
79. Establish lease purchase authorization procedures.	Legislative		
80. Implement a vendor qualification and performance appraisal system.	Executive		
81. Revise bonding procedures.	Executive	Annual Saving	$ 18,000
82. Eliminate the requisition time schedule.	Executive	Annual Saving	$132,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
Vehicle Management			
83. Centralize vehicle fleet management in the Department of Administration.	Legislative	Annual Saving One-Time Income	$420,000 $480,000
84. Reassign the motor pool to the proposed Division of Fleet Management.	Legislative		
85. Use consolidated bulk fuel facilities.	Executive	Annual Saving One-Time Cost	$333,000 $ 80,000
86. Calibrate bulk fuel facility meters regularly.	Executive		
87. Develop a cost-effective maintenance and repair program.	Executive		
88. Enforce accident reporting procedures.	Executive		
Department of Labor and Industry			
89. Establish detailed definitions and review standards.	Executive	Annual Saving	$415,000
90. Hire an additional claims investigator.	Executive	Annual Income Annual Cost	$ 84,000 $ 16,000
91. Amend the Montana Human Rights Act.	Legislative		
92. Eliminate the attorney's position in the Human Rights Division.	Executive	Annual Saving Annual Cost	$ 28,000 $ 15,000
93. Reassign human rights activities to the Labor Standards Division.	Executive	Annual Saving	$ 8,000
94. Establish a case docketing, tracking and reporting system in the Personnel Appeals Division.	Executive		
95. Conduct annual performance reviews in the Personnel Appeals Division.	Executive		
96. Abolish the Apprenticeship Bureau.	Legislative	Annual Saving Annual Saving (Federal)	$ 57,000 $ 55,000
Unemployment Insurance Division			
97. Adopt a common employer report form.	Executive	Annual Saving (Federal)	$ 40,000
98. Suspend the employer copy of the quarterly wage report form.	Executive	Annual Saving (Federal)	$ 1,000
99. Merge the Contributions and Employer Services Bureaus.	Executive	Annual Saving (Federal)	$ 33,000
100. Improve collection efforts.	Executive	Annual Income	$227,000
101. Shorten collection processing time.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
102. Transfer unemployment insurance funds to the state clearing account.	Executive	Annual Income	$ 94,000

Workers' Compensation Division

103. Discontinue State Insurance Fund expansion plans.	Executive		
104. Conduct a study to determine reorganization alternatives.	Executive		
105. Reduce the administrator's role in approving claim settlements.	Executive	Annual Saving	$ 36,000
106. Contract for private claims' audits.	Executive	Annual Cost	$ 13,000
107. Reduce paperwork and file storage requirements.	Executive	Annual Saving	$ 71,000
108. Accelerate the automation of recordkeeping systems.	Executive	Annual Saving	$ 89,000
109. Establish a dividend reserve fund.	Executive		
110. Increase protection for uninsured employees.	Executive	Annual Income Annual Cost	$275,000 $275,000
111. Eliminate the use of the National Council of Compensation Insurers' rate modification factors.	Legislative		
112. Improve field inspectors' earning potential.	Executive	Annual Cost	$ 22,000

Job Service and Training Division

113. Cancel the Job Service's Bozeman construction plan.	Executive	One-Time Income	$186,000
114. Improve communication and decision making in the Job Service and Training Division.	Executive		
115. Improve placement data collection.	Executive	Annual Income (Federal)	$138,000
116. Eliminate the teacher placement program in the Job Service and Training Division.	Executive	Annual Saving (Federal)	$ 21,000
117. Reorganize employment and training activities.	Executive	Annual Saving (Federal)	$187,000
118. Automate fiscal recordkeeping systems.	Executive		
119. Improve management control over information systems.	Executive		

Department of Military Affairs

120. Eliminate the Assistant Adjutant General/ Deputy Director's position.	Executive	Annual Saving	$ 37,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
121. **Improve the repair and maintenance program.**	Executive	Annual Cost	$ 89,000
122. **Develop an energy conservation program.**	Executive	Annual Saving	$ 20,000
123. **Increase rental income from armories.**	Executive	Annual Income	$ 50,000
124. **Reduce armory costs through leasing.**	Executive		

Department of Social and Rehabilitation Services

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
125. **Reorganize the Department of Social and Rehabilitation Services.**	Executive		
126. **Participate in developing a statewide data processing plan.**	Executive		
127. **Substitute on-line for key entry procedures.**	Executive	Annual Saving	$ 60,000
128. **Increase use of central word processing.**	Executive	Annual Saving Annual Cost One-Time Cost	$ 51,000 $ 29,000 $ 30,000
129. **Develop managerial and technical training programs.**	Executive		
130. **Reduce eligibility determination error rates.**	Executive	Annual Saving Annual Saving (Federal) Annual Cost	$805,000 $1.5-million $ 60,000
131. **Provide clear field directives.**	Executive	Annual Saving Annual Cost	$ 86,000 $ 51,000
132. **Expand the third party review program.**	Executive	Annual Saving Annual Saving (Federal) Annual Cost	$350,000 $650,000 $ 43,000
133. **Evaluate Medicaid claim processing contractor performance.**	Executive		
134. **Abolish the Veterans Affairs Division.**	Legislative	Annual Saving	$443,000
135. **Close three Rehabilitative Services Division district offices.**	Executive	Annual Saving Annual Saving (Federal)	$ 19,000 $ 77,000
136. **Provide Indian reservation counseling on a half-time basis.**	Executive	Annual Saving Annual Saving (Federal)	$ 4,000 $ 19,000

Community Services Division

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
137. **Strengthen state control over county offices.**	Legislative	Annual Saving Annual Saving (Federal) Annual Cost Annual Cost (Federal)	$ 87,000 $202,000 $ 54,000 $125,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
138. Strengthen county welfare director requirements.	Executive	Annual Cost Annual Cost (Federal)	$ 2,000 $ 3,000
139. Abolish the Area Agencies on Aging.	Legislative	Annual Saving Annual Saving (Federal)	$161,000 $298,000

Developmental Disabilities Division

140. Restructure the State Developmental Disabilities Planning and Advisory Council.	Legislative		
141. Increase fiscal control over private contractors.	Executive	Annual Saving Annual Saving (Federal)	$590,000 $394,000
142. Charge for services based on ability to pay.	Legislative	Annual Income	$1.1-million

Department of Institutions

143. Convert the Department of Institutions into a Department of Corrections.	Legislative		
144. Evaluate the usefulness of unoccupied institutional buildings.	Executive		
145. Analyze land use requirements.	Executive		
146. Hire a nutritionist as food service coordinator.	Executive	Annual Cost	$ 33,000
147. Terminate the free employee meal policy.	Executive	Annual Saving	$469,000

Management Services Division

148. Develop an integrated patient accounting and billing system.	Executive	Annual Saving One-Time Cost	$ 58,000 $ 50,000
149. Eliminate the Reimbursement and Field Investigation Section.	Executive	Annual Saving Annual Cost	$117,000 $ 84,000

Corrections Division

150. Relieve overcrowding at Montana State Prison.	Legislative		
151. Close Mountain View School.	Legislative	Annual Saving One-Time Cost	$735,000 $400,000
152. Upgrade the prison food service manager's position.	Executive	Annual Cost	$ 5,000
153. Reduce the number of prison food service supervisors.	Executive	Annual Saving	$ 89,000
154. Standardize prison food preparation.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
155. Expand the prison vocational-technical food program services.	Executive		
156. Modernize prison ranch operations.	Legislative	One-Time Income One-Time Cost	$7.5-million $3-million
157. Eliminate the prison auto shop.	Executive	Annual Saving	$ 28,000
158. Redefine the role of Swan River's food service manager.	Legislative	Annual Cost	$ 17,000
159. Purchase food service equipment required at Swan River.	Executive	One-Time Cost	$ 22,000
160. Purchase an office computer for the Pine Hills School.	Executive	Annual Saving One-Time Cost	$ 16,000 $ 6,000
161. Sell the Pine Hills School's employee housing units.	Executive	Annual Saving	$ 6,000
162. Hire a part-time dietician at the Pine Hills School.	Executive	Annual Cost	$ 1,000
163. Establish a cafeteria-style food service at the Pine Hills School.	Executive		

Alcohol and Drug Abuse Division

164. Reorganize the division.	Legislative	Annual Saving	$685,000
165. Change the treatment center funding process.	Executive		

Mental Health and Residential Services Division

166. Centralize food preparation at Warm Springs and Galen State Hospitals.	Executive	Annual Saving Annual Cost One-Time Cost	$866,000 $320,000 $ 52,000
167. Increase the employee housing rates at Warm Springs and Galen State Hospitals.	Executive	Annual Saving Annual Income	$ 42,000 $ 78,000
168. Discontinue Galen State Hospital's alcoholism and drug treatment programs.	Legislative	Annual Saving	$539,000
169. Close the Boulder River School and Hospital.	Legislative	Annual Saving Annual Income One-Time Cost	$2.4-million $133,000 $950,000
170. Change food preparation schedules at Boulder River School and Hospital.	Executive	Annual Saving	$ 52,000
171. Study the feasibility of converting Boulder River School into a minimum/medium security prison.	Legislative		
172. Sell unneeded Montana Veterans Home land.	Legislative	One-Time Income	$280,000
173. Reduce the maintenance staff at the Montana Veterans Home.	Executive	Annual Saving	$ 17,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
174. Reassign Montana Veterans Home custodial staff to the maintenance supervisor.	Executive	Annual Saving	$ 17,000

Department of Health and Environmental Sciences

175. Redefine the qualifications for the director.	Executive		
176. Reassign the laboratory bureaus to appropriate divisions.	Executive	Annual Saving	$ 20,000
177. Reassign the legal staff to the Attorney General.	Executive		
178. Improve communications between Central Services and operating divisions.	Executive		
179. Consolidate systems analysis in the Central Services Division.	Executive	Annual Saving	$ 66,000
180. Schedule biennial grant funding audits.	Executive	Annual Saving Annual Saving (Federal)	$ 29,000 $ 7,000
181. Transfer all certification and licensing activities to the Licensing and Certification Bureau.	Executive	Annual Saving	$ 16,000
182. Raise the fees to copy and search birth certificates.	Legislative	Annual Income	$ 27,000
183. Establish appropriate statistical program parameters.	Executive	Annual Saving	$ 40,000
184. Develop a procedures manual for staff training.	Executive		
185. Change the processing procedure for birth certificate requests.	Executive	Annual Saving	$ 5,000
186. Monitor and control the effectiveness of local registrars.	Executive		
187. Increase license and certification fees in the Hospital and Medical Facilities Division.	Legislative	Annual Income	$144,000
188. Charge fees for microbiology laboratory services.	Executive	Annual Income	$350,000
189. Eliminate authorized but unnecessary positions in the Environmental Sciences Division.	Executive		

Health Services Division

190. Reorganize the Health Services Division.	Executive	Annual Saving	$555,000
191. Establish three regional service centers.	Executive	Annual Cost	$ 20,000
192. Consolidate the office space assigned to two bureaus.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT

Department of Natural Resources and Conservation

193. Improve human resource management.	Executive		
194. Consolidate public information functions.	Executive	Annual Saving Annual Saving (Federal)	$ 15,000 $ 12,000
195. Eliminate the Special Staff Unit.	Executive	Annual Saving Annual Saving (Federal)	$ 77,000 $ 5,000
196. Reorganize the Centralized Services Division.	Executive	Annual Saving Annual Saving (Federal) Annual Cost Annual Cost (Federal)	$ 54,000 $ 3,000 $ 29,000 $ 2,000
197. Centralize the financial administration of loan and grant programs.	Executive	Annual Saving Annual Saving (Federal)	$ 48,000 $ 43,000
198. Modify the renewable alternative energy program.	Legislative	Annual Saving Annual Income	$2-million $200,000

Energy Division

199. Restructure planning and analysis activities.	Executive	Annual Saving Annual Saving (Federal)	$ 26,000 $ 7,000
200. Assign project management duties to an interdisciplinary team.	Executive		
201. Assign responsibility for records management.	Executive	Annual Saving	$ 10,000
202. Reorganize the Conservation and Renewable Energy Bureau.	Executive	Annual Saving Annual Saving (Federal)	$ 40,000 $ 32,000

Conservation Districts Division

203. Amend the procedure to change conservation district boundaries.	Legislative		
204. Increase rangeland improvement loan interest rates.	Executive	Annual Income	$ 84,000

Water Resources Division

205. Restructure the Water Resources Division.	Executive	Annual Saving	$213,000
206. Eliminate the recording of water rights in county court houses.	Legislative	Annual Saving One-Time Saving	$ 35,000 $875,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
207. Charge the losing party for water rights' adjudication costs.	Legislative	Annual Income	$200,000
208. Consolidate water permit, regulation and enforcement activities.	Executive	Annual Saving	$315,000

Oil and Gas Conservation Division

209. Merge the Helena activities into the Billings office.	Executive	Annual Saving One-Time Cost	$ 19,000 $ 5,000
210. Implement automated records management and reporting systems.	Executive	Annual Saving Annual Cost One-Time Cost	$ 34,000 $ 15,000 $ 25,000
211. Have the Department of Revenue administer the producer's conservation tax.	Executive	Annual Saving One-Time Cost	$ 21,000 $ 3,000
212. Eliminate the drilling permit fee.	Legislative		

Department of Fish, Wildlife and Parks

213. Reorganize the Department of Fish, Wildlife and Parks.	Executive	Annual Saving	$461,000
214. Develop a comprehensive department planning process.	Executive	One-Time Cost	$ 4,000
215. Establish fish pond and game farm license fees.	Legislative	Annual Income	$ 12,000
216. Increase hunting and fishing license fees.	Legislative	Annual Income	$3.3-million
217. Revise resident license fee discounts.	Legislative	Annual Income	$550,000
218. Charge interest on overdue license dealer balances.	Legislative	Annual Income	$ 3,000
219. Change big game license procedures.	Executive	Annual Saving	$ 42,000
220. Change the engineering requirement for construction projects.	Legislative	Annual Saving Annual Cost	$ 88,000 $ 36,000
221. Improve communications.	Executive		
222. Increase subscription rates to *Montana Outdoors*.	Executive	Annual Income	$120,000
223. Encourage *Montana Outdoors* to attract new subscribers.	Executive	Annual Income Annual Cost	$ 80,000 $ 50,000
224. Sell artwork on a commission basis.	Executive	Annual Income	$ 23,000
225. Increase film copy costs.	Executive	Annual Income	$ 5,000
226. Relocate printing, mail and office supply distribution to the Centralized Services Division.	Executive		
227. Appoint a motor vehicle manager in the Centralized Services Division.	Executive	Annual Cost	$ 2,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
228. Sell underutilized vehicles.	Executive	Annual Saving One-Time Income	$ 50,000 $120,000
229. Eliminate the department's warehouse.	Executive	Annual Saving	$ 24,000
230. Transfer aircraft operations to the Centralized Services Division.	Executive	Annual Saving One-Time Income	$ 29,000 $ 28,000
231. Improve human resource management.	Executive		

Department of State Lands

232. Develop a centralized, automated records management program.	Executive	Annual Income One-Time Cost	$410,000 $250,000
233. Enact legislation to guarantee access rights to state lands.	Legislative		
234. Implement an employee performance appraisal system.	Executive		
235. Consolidate support services.	Executive	Annual Saving One-Time Cost	$ 63,000 $ 5,000

Reclamation Division

236. Integrate Reclamation Division activities into the department's field operations.	Executive	Annual Saving One-Time Cost	$ 66,000 $ 20,000
237. Increase staffing in the Abandoned Mine Reclamation Bureau.	Legislative	Annual Cost (Federal)	$ 43,000
238. Increase mining permit and license fees.	Legislative	Annual Income	$ 33,000
239. Increase reclamation bond requirements for open-cut mining.	Legislative		

Lands Division

240. Increase minimum rental fees for grazing lands.	Legislative	Annual Income	$3.1-million
241. Revise the agricultural leasing policy.	Legislative	Annual Saving Annual Income	$ 9,000 $1.4-million
242. Divide leased land access privilege and damage payments.	Legislative	Annual Income	$100,000
243. Increase penalties for oil and gas drilling delays.	Legislative	Annual Income	$1.4-million.
244. Conduct field audits of oil and gas royalty figures.	Executive	Annual Income Annual Cost	$470,000 $ 51,000

Department of Agriculture

245. Reorganize the Department of Agriculture.	Executive	Annual Saving	$ 21,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
246. Reorganize the Centralized Services Division to consolidate services.	Executive	Annual Saving One-Time Cost	$ 17,000 $157,000
247. Update position descriptions and establish a performance appraisal system.	Executive		
248. Terminate the hail insurance program.	Legislative	Annual Saving One-Time Income	$ 3,000 $3.7-million
249. Change pesticide control regulations to simplify operations.	Legislative	Annual Saving Annual Saving (Federal)	$ 27,000 $ 37,000
250. Transfer pesticide licensing examinations to manufacturers.	Executive	Annual Saving Annual Saving (Federal)	$ 11,000 $ 14,000

Department of Livestock

251. Add a consumer representative to the Board of Livestock.	Legislative	Annual Cost	$ 2,000
252. Eliminate the legal counsel.	Executive	Annual Saving	$ 14,000
253. Develop long-range data processing plans.	Executive		
254. Examine the records management system.	Executive	Annual Saving One-Time Cost	$ 29,000 $ 20,000
255. Computerize purchasing, inventory and accounts receivable records.	Executive		
256. Automate vacation, sick pay and compensation records.	Executive		

Animal Health Division

257. Abolish unnecessary vacant positions.	Legislative		
258. License in-house egg graders at retail outlets.	Executive	Annual Saving	$ 20,000
259. Increase all license fees to a minimum of $25.	Legislative	Annual Income	$ 19,000
260. Monitor laboratory productivity and automate accounts receivable.	Executive	One-Time Saving One-Time Cost	$ 3,000 $ 10,000
261. Revise the laboratory fee schedule.	Executive	Annual Income	$101,000

Brands Enforcement Division

262. Reorganize the division's two bureaus.	Executive		
263. Establish staggered renewal dates for brand re-recording.	Executive	One-Time Saving	$ 60,000
264. Charge for association livestock sales.	Legislative	Annual Income	$ 5,000
265. Increase the fee for lifetime horse inspection cards.	Legislative	Annual Income	$ 25,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
266. Obtain an appropriate share of predator hide revenue.	Executive	Annual Income	$ 25,000

Department of Highways

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
267. Eliminate the Personnel Division.	Executive	Annual Saving Annual Saving (Federal) Annual Cost	$ 75,000 $ 64,000 $ 4,000
268. Reorganize the Centralized Services Division.	Executive		
269. Centralize film processing and photographic services.	Executive	Annual Saving Annual Cost One-Time Cost	$362,000 $137,000 $ 21,000
270. Construct a fireproof Photo Unit storage area.	Executive	One-Time Cost One-Time Cost (Federal)	$ 6,000 $ 4,000
271. Improve inventory control.	Executive	Annual Saving Annual Cost One-Time Cost	$2.7-million $ 5,000 $ 25,000
272. Modify contractor payment procedures.	Executive	Annual Saving Annual Cost	$541,000 $ 72,000
273. Implement selected performance audit recommendations.	Executive		
274. Increase encroachment permit fees.	Executive	Annual Income	$418,000
275. Centralize right-of-way acquisitions.	Executive	Annual Saving Annual Saving (Federal) Annual Cost Annual Cost (Federal)	$183,000 $149,000 $ 38,000 $ 32,000
276. Consolidate related appraisal and acquisition activities.	Executive	Annual Saving Annual Saving (Federal)	$ 47,000 $ 37,000
277. Eliminate the Preconstruction Bureau's Consultant and Safety Design Section.	Executive	Annual Saving Annual Saving (Federal)	$166,000 $130,000
278. Reorganize the Construction Bureau.	Executive	Annual Saving Annual Saving (Federal)	$ 20,000 $ 16,000
279. Increase maintenance cost accountability.	Executive		
280. Reduce the vehicle fleet.	Executive	Annual Saving One-Time Income	$1.1-million $620,000
281. Increase efficient vehicle use in the motor pool.	Executive	Annual Saving One-Time Income	$213,000 $200,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
282. Reduce the inventory of automotive parts and supplies.	Executive	One-Time Saving	$129,000
283. Begin a protective painting program.	Executive	Annual Cost Annual Cost (Federal)	$ 47,000 $ 36,000
284. Study maintenance benefits of seal coating.	Executive	One-Time Cost One-Time Cost (Federal)	$ 14,000 $ 11,000
285. Revise the Gross Vehicle Weight Division's fee and fine schedule.	Legislative	Annual Saving Annual Saving (Federal) Annual Income	$2.8-million $2.3-million $3.1-million
286. Discontinue overweight tolerances.	Legislative		
287. Improve scale maintenance.	Executive	Annual Saving One-Time Cost	$ 6,000 $ 3,000
288. Eliminate the Gross Vehicle Weight Division's assistant administrator.	Executive	Annual Saving Annual Saving (Federal)	$ 17,000 $ 13,000
289. Automate truck permit accounting procedures.	Executive	Annual Saving	$ 7,000
290. Automate permit accounting procedures.	Executive	Annual Saving	$ 14,000
291. Conduct a biennial Enforcement Bureau training program.	Executive	Annual Cost Annual Cost (Federal)	$ 4,000 $ 3,000
292. Study the need to arm field officers.	Executive		
293. Reduce projected field office staff requirements.	Executive	Annual Saving	$245,000
294. Reassign inventory stockmen to the district supervisors in the Centralized Services Division.	Executive		

Department of Revenue

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
295. Initiate cost/benefit analyses on proposed systems developments.	Executive		
296. Increase the investigative staff in the Welfare Fraud Bureau.	Executive	Annual Income Annual Cost	$135,000 $ 90,000
297. Restructure the Child Support Enforcement Bureau.	Executive	Annual Saving Annual Saving (Federal) Annual Cost Annual Cost (Federal)	$129,000 $389,000 $ 28,000 $ 67,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT

Liquor Division

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
298. Abolish the state-owned liquor retailing system.	Legislative	Annual Income One-Time Income	$3.9-million $11.4-million
299. Phase out the liquor license quota system.	Legislative	Annual Saving	$ 31,000
300. Delete table wines from the item selection list.	Legislative	Annual Saving One-Time Saving	$337,000 $1.6-million
301. Restructure the administrative staff.	Executive	Annual Saving	$ 33,000
302. Abandon the point-of-sale inventory program.	Executive	Annual Saving One-Time Saving	$ 36,000 $759,000
303. Improve warehouse utilization.	Executive	One-Time Income One-Time Cost	$240,000 $ 40,000
304. Accelerate inventory turnover.	Executive	Annual Income One-Time Saving	$618,000 $5.2-million
305. Reorganize district operations.	Executive	Annual Saving One-Time Cost	$ 35,000 $ 3,000
306. Convert low volume state stores into agency outlets.	Executive	Annual Saving Annual Cost	$1.8-million $1.5-million
307. Change special order procedures.	Executive	Annual Saving	$140,000
308. Develop a complaint procedure.	Executive		

Property Assessment Division

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
309. Centralize property assessment activities in the state office.	Legislative	Annual Saving Annual Cost One-Time Cost	$4.7-million $1.8-million $289,000
310. Require staff assessor certification.	Executive	Annual Cost One-Time Cost	$ 4,000 $ 29,000
311. Reevaluate the timber appraisal system.	Executive	One-Time Cost	$ 15,000
312. Change staff requirements for statewide real property reappraisal.	Executive		
313. Require a state building permit.	Legislative	Annual Income	$ 19,000

Operations

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
314. Increase Income Tax Division staffing.	Legislative	Annual Income Annual Cost	$2-million $211,000
315. Eliminate the Withholding Bureau in the Income Tax Division.	Executive	Annual Saving	$ 33,000
316. Expand the estimated tax payment requirements.	Legislative	Annual Income	$1.5-million
317. Adopt the federal overdue tax interest rate.	Legislative	Annual Income	$550,000

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
318. Increase the Natural Resources and Corporation Tax Division's auditor staff.	Executive	Annual Income Annual Cost	$1.8-million $ 82,000
319. Reorganize the Miscellaneous Tax Division.	Executive		
320. Increase cigarette license fees.	Legislative	Annual Income	$ 8,000

Department of Commerce

321. Remodel the department office areas.	Legislative	One-Time Cost	$560,000
322. Reorganize staff assignments in the Centralized Services Division.	Executive	Annual Saving	$ 25,000
323. Hire an additional attorney for the Business and Professional Licensing Division.	Executive	Annual Cost	$ 28,000
324. Centralize word processing functions.	Executive	Annual Saving One-Time Cost	$ 89,000 $ 32,000
325. Improve contract management procedures.	Executive	Annual Saving	$ 26,000
326. Reorganize the Professional and Occupational Licensing Bureau.	Executive	Annual Cost	$ 15,000
327. Transfer milk production licensing operations to the Department of Livestock.	Legislative		
328. Abolish the County Printing Board.	Legislative	Annual Saving	$ 1,000
329. Transfer private post-secondary school licensing to the Department of Education.	Legislative		
330. Increase licensing fees in the Weights and Measures Bureau.	Legislative	Annual Income	$120,000
331. Establish a 50% late penalty charge for overdue weighing device licenses.	Legislative		
332. Budget special expenses for the Economic and Community Development Division.	Executive	Annual Cost	$ 3,000
333. Reassign personnel to assist the Commodities Transit Section in the Transportation Division.	Executive		
334. Merge the Board of Housing and Housing Section into one division.	Executive		
335. Relocate the Board of Housing.	Executive	Annual Saving	$ 24,000
336. Complete the transfer of the Coordinator of Indian Affairs.	Legislative		

Aeronautics Division

337. Replace the Aeronautics Board with an Aeronautics Advisory Council.	Legislative	Annual Saving	$ 10,000
338. Coordinate long-range transportation planning.	Executive		

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
339. Raise the aviation gas tax.	Legislative	Annual Income	$100,000
340. Establish inventory controls at the aeronautical supply store.	Executive		
341. Eliminate the part-time file clerk.	Executive	Annual Saving	$ 7,000

Financial Bureau

RECOMMENDATIONS	ACTION REQUIRED	FINANCIAL IMPACT	ESTIMATED AMOUNT
342. Train a successor to the Commissioner of Financial Institutions.	Executive		
343. Establish a satellite office in Billings.	Executive	Annual Saving Annual Cost One-Time Cost	$ 16,000 $ 1,000 $ 5,000
344. Set fees to recover operating costs.	Legislative	Annual Income	$235,000

Governor's Council on Management

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Sponsors

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First Citizens Bank of Butte
First Citizens Bank of Miles City
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